

Special Value Continuation Fund, LLC
Form N-CSR
March 11, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT
OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21936

SPECIAL VALUE CONTINUATION FUND, LLC
(Exact Name of Registrant as Specified in Charter)

2951 28TH STREET, SUITE 1000
SANTA MONICA, CALIFORNIA 90405
(Address of Principal Executive Offices) (Zip Code)

ELIZABETH GREENWOOD, SECRETARY
SPECIAL VALUE CONTINUATION FUND, LLC
2951 28TH STREET, SUITE 1000
SANTA MONICA, CALIFORNIA 90405
(Name and Address of Agent for Service)

Registrant's telephone number, including area code: (310) 566-1000

Copies to:
RICHARD T. PRINS, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
FOUR TIMES SQUARE
NEW YORK, NEW YORK 10036

Date of fiscal year end: DECEMBER 31, 2009

Date of reporting period: DECEMBER 31, 2009

ITEM 1. reports to stockholders.

Annual Shareholder Report

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)
December 31, 2009

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Annual Shareholder Report

December 31, 2009

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Special Value Continuation Fund, LLC (the “Company”) files a schedule of its investment in Special Value Continuation Partners, LP (the “Partnership”) with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. Investments listed in the Consolidated Statement of Investments are held by the Partnership, which also files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. The Forms N-Q of the Company and the Partnership are available on the SEC’s website at <http://www.sec.gov>. The Forms N-Q of the Company and the Partnership may also be reviewed and copied at the SEC’s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A free copy of the proxy voting guidelines of the Company and the Partnership and information regarding how the Company and the Partnership voted proxies relating to portfolio investments during the most recent twelve-month period may be obtained without charge on the SEC’s website at <http://www.sec.gov> or by calling the advisor of the Company and the Partnership, Tennenbaum Capital Partners, LLC, at (310) 566-1000. Collect calls for this purpose are accepted.

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Consolidated Portfolio Asset Allocation (Unaudited)

December 31, 2009

Industry	Percent of Cash and Investments
Wired Telecommunications Carriers	14.2%
Other Electrical Equipment and Component Manufacturing	11.3%
Architectural, Engineering, and Related Services	11.0%
Nonferrous Metal (except Aluminum) Production and Processing	7.0%
Other Information Services	5.0%
Communications Equipment Manufacturing	3.9%
Scheduled Air Transportation	2.9%
Other Investment Pools and Funds	2.8%
Data Processing, Hosting, and Related Services	2.8%
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing	2.1%
Offices of Real Estate Agents and Brokers	2.1%
Full-Service Restaurants	1.9%
Industrial Machinery Manufacturing	1.5%
Satellite Telecommunications	1.2%
Support Activities for Mining	1.0%
Depository Credit Intermediation	1.0%
Oil and Gas Extraction	0.8%
Wireless Telecommunications Carriers (except Satellite)	0.6%
Semiconductor and Other Electronic Component Manufacturing	0.4%
Petroleum and Coal Products Manufacturing	0.3%
Basic Chemical Manufacturing	0.3%
Radio and Television Broadcasting	0.3%
Grocery Stores	0.2%
Computer and Peripheral Equipment Manufacturing	0.2%
Gambling Industries	0.2%
Other Amusement and Recreation Industries	0.2%
Other Financial Services	0.1%
Electric Power Generation, Transmission and Distribution	0.1%
Support Activities for Air Transportation	0.1%
Nondepository Credit Intermediation	0.0%
Cash and Cash Equivalents	24.5%
Total	100.0%

Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of
Special Value Continuation Fund, LLC

We have audited the accompanying consolidated statement of assets and liabilities of Special Value Continuation Fund, LLC (a Delaware Limited Liability Company) (the Company), including the consolidated statement of investments, as of December 31, 2009, and the related consolidated statements of operations and cash flows for the year then ended, the consolidated statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods indicated. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included verification by examination of securities held by the custodian as of December 31, 2009, and confirmation of securities not held by the custodian by correspondence with others or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the consolidated financial position of Special Value Continuation Fund, LLC at December 31, 2009, the consolidated results of its operations and its cash flows for the year then ended, the consolidated changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the periods indicated, in conformity with U.S. generally accepted accounting principles.

March 1, 2010

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Consolidated Statement of Assets and Liabilities

December 31, 2009

Assets	
Investments, at fair value:	
Unaffiliated issuers (cost \$231,914,842)	\$ 177,353,616
Controlled companies (cost \$37,461,893)	11,922,029
Other affiliates (cost \$124,310,772)	153,787,322
Total investments (cost \$393,687,507)	343,062,967
Cash and cash equivalents	111,452,456
Accrued interest income:	
Unaffiliated issuers	3,914,270
Controlled companies	4,181
Other affiliates	353,793
Deferred debt issuance costs	2,018,090
Receivable for investment securities sold	1,811,419
Prepaid expenses and other assets	88,298
Total assets	462,705,474
Liabilities	
Credit facility payable	75,000,000
Payable for investment securities purchased	12,749,432
Distribution payable	6,200,000
Management and advisory fees payable	565,599
Unrealized depreciation on swaps	374,400
Interest payable	46,055
Accrued expenses and other liabilities	496,469
Total liabilities	95,431,955
Preferred stock	
Series Z; \$500/share liquidation preference; 400 shares authorized, 47 shares issued and outstanding	23,500
Accumulated dividends on Series Z preferred stock	1,891
Total Series Z preferred stock	25,391
Preferred equity facility	
Series A preferred limited partner interests in Special Value Continuation Partners, LP; \$20,000/interest liquidation preference; 6,700 interests authorized, issued and outstanding	134,000,000
Accumulated dividends on Series A preferred equity facility	368,337
Total preferred limited partner interests	134,368,337
Minority interest	
General partner interest in Special Value Continuation Partners, LP	-

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Net assets applicable to common shareholders	\$ 232,879,791
Composition of net assets applicable to common shareholders	
Common stock, \$0.001 par value; unlimited shares authorized, 418,955.777 shares issued and outstanding	\$ 419
Paid-in capital in excess of par, net of contributed unrealized gains	364,764,708
Accumulated net investment income	1,158,031
Accumulated net realized losses	(82,078,493)
Accumulated net unrealized depreciation	(50,962,983)
Accumulated dividends to Series Z preferred shareholders	(1,891)
Net assets applicable to common shareholders	\$ 232,879,791
Common stock, NAV per share	\$ 555.86

See accompanying notes.

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Consolidated Statement of Investments

December 31, 2009

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments
Debt Investments (43.51%)			
Bank Debt (16.37%) (1)			
Architectural, Engineering, and Related Services (1.75%)			
Alion Science & Technology Corporation, 1st Lien Term Loan, LIBOR + 6%, due 2/6/13	\$ 8,275,313	\$ 7,944,300	1.75%
Communications Equipment Manufacturing (3.85%)			
Mitel Networks Corporation, 1st Lien Term Loan, LIBOR + 3.25%, due 8/10/14	\$ 19,771,107	17,517,201	3.85%
Computer and Peripheral Equipment Manufacturing (0.21%)			
Palm, Inc., Tranche B Term Loan, LIBOR + 3.5%, due 4/24/14	\$ 1,095,011	951,291	0.21%
Electric Power Generation, Transmission and Distribution (0.05%)			
La Paloma Generating Company Residual Bank Debt (3)	\$ 23,218,322	211,507	0.05%
Offices of Real Estate Agents and Brokers (1.23%)			
Realty Corporation, Revolver, LIBOR + 2.25%, due 4/10/13	\$ 15,897,590	(1,748,735)	(0.38)%
Realty Corporation, 2nd Lien Term Loan A, 13.5%, due 10/15/17	\$ 6,891,566	7,310,801	1.61%
Total Offices of Real Estate Agents and Brokers		5,562,066	
Other Electrical Equipment and Component Manufacturing (1.72%)			
EaglePicher Corporation, 1st Lien Tranche B Term Loan, LIBOR + 4.5%, due 12/31/12 (2)	\$ 7,827,719	7,827,719	1.72%
Other Investment Pools and Funds (2.82%)			
American Capital, Ltd., Senior Unsecured Revolver, LIBOR + 9%, due 3/31/11	\$ 13,764,622	12,795,765	2.82%
Petroleum and Coal Products Manufacturing (0.33%)			
Building Materials Corporation of America, 2nd Lien Term Loan, LIBOR + 5.75%, due 9/15/14	\$ 1,599,318	1,475,371	0.33%

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Wired Telecommunications Carriers (4.41%)			
Integra Telecom, Inc., 1st Lien Term Loan, LIBOR + 8.5%, due 8/31/13	\$ 156,454	157,286	0.03%
Interstate Fibernet, Inc., 1st Lien Term Loan, LIBOR + 4%, due 7/31/13 (2)	\$ 11,192,508	10,091,445	2.22%
Interstate Fibernet, Inc., 2nd Lien Term Loan, LIBOR +7.5%, due 7/31/14 (2)	\$ 8,281,636	8,144,989	1.79%
NEF Telecom Company BV, 2nd Lien Tranche D Term Loan, EURIBOR + 5.5%, due 2/16/17 (4)	€ 1,538,600	1,674,606	0.37%
Total Wired Telecommunications Carriers		20,068,326	
Total Bank Debt (Cost \$76,840,137)			
		74,353,546	
Other Corporate Debt Securities (27.14%)			
Architectural, Engineering, and Related Services (3.57%)			
Alion Science & Technology Corporation, Senior Notes, 10.25%, due 2/1/15	\$ 12,816,000	9,656,856	2.12%
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 18% PIK, due 3/31/15 (2), (5)	\$ 6,726,869	6,592,331	1.45%
Total Architectural, Engineering, and Related Services		16,249,187	
Basic Chemical Manufacturing (0.28%)			
Kronos International, Inc., Senior Secured Notes, 6.5%, due 4/15/13	€ 1,111,000	1,294,064	0.28%
Data Processing, Hosting, and Related Services (2.18%)			
Anacomp, Inc., Senior Secured Subordinated Notes, 14% PIK, due 3/12/13 (2), (5), (8)	\$ 10,750,845	9,138,218	2.01%
Terremark Worldwide, Inc., Senior Secured Notes, 12%, due 6/15/17 (5)	\$ 703,000	773,898	0.17%
Total Data Processing, Hosting, and Related Services		9,912,116	
Depository Credit Intermediation (0.34%)			
Bank of America Corporation, Junior Subordinated Notes, 7.8%, due 2/15/10	\$ 1,550,000	1,562,338	0.34%
Full-Service Restaurants (1.94%)			
Real Mex Restaurants, Inc., Senior Secured Notes, 14%, due 1/1/13 (5)	\$ 9,089,000	8,816,330	1.94%
Gambling Industries (0.20%)			
Harrah's Operating Company Inc., Senior Secured Notes, 10%, due 12/15/18 (5)	\$ 1,153,000	914,713	0.20%
Grocery Stores (0.22%)			
Safeway, Inc., Senior Unsecured Notes, 4.95%, due 8/16/10	\$ 1,000,000	1,022,290	0.22%

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Consolidated Statement of Investments (Continued)

December 31, 2009

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments
Debt Investments (continued)			
Industrial Machinery Manufacturing (1.50%)			
GSI Group Corporation, Senior Notes, 11%, due 8/20/13 (5)	\$ 7,778,000	\$ 6,821,306	1.50%
Nondepository Credit Intermediation (0.04%)			
Fannie Mae, Fixed Rate Notes, 2.5%, due 4/9/10	\$ 100,000	100,599	0.02%
Federal Home Loan Bank, Fixed Rate Notes, 2.375%, due 4/30/10	\$ 100,000	100,572	0.02%
Total Nondepository Credit Intermediation		201,171	
Offices of Real Estate Agents and Brokers (0.84%)			
Realogy Corporation, Senior Subordinated Notes, 12.375%, due 4/15/15	\$ 4,915,000	3,820,577	0.84%
Oil and Gas Extraction (0.80%)			
Forbes Energy Services, Senior Secured Notes, 11%, due 2/15/15	\$ 2,904,000	2,657,160	0.58%
Seitel, Inc., Senior Notes, 9.75%, due 2/15/14 (5)	\$ 1,363,000	981,360	0.22%
Total Oil and Gas Extraction		3,638,520	
Other Amusement and Recreation Industries (0.18%)			
Bally Total Fitness Holdings, Inc., Senior Subordinated Notes, 14% Cash or 15.625% PIK, due 10/1/13 (3), (5)	\$ 50,979,834	793,632	0.18%
Other Financial Services (0.09%)			
State Street Corporation, Subordinated Notes, 7.65%, due 6/15/10	\$ 410,000	421,853	0.09%
Other Information Services (4.46%)			
IRI Holdco (RW), LLC, Note Receivable, 8%, due 12/12/11 (5)	\$ 20,553,127	20,265,383	4.46%
Radio and Television Broadcasting (0.25%)			
LBI Media, Inc., Senior Discount Notes, 11%, due 10/1/13	\$ 308,000	231,000	0.05%
LBI Media, Inc., Senior Unsecured Subordinated Notes, 8.5%, due 8/1/17 (5)	\$ 1,109,000	926,015	0.20%
Total Radio and Television Broadcasting		1,157,015	

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Resin, Synthetic Rubber, and Artificial Synthetic Fibers and
Filaments Manufacturing (2.14%)

AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/14	\$ 11,886,000	9,725,006	2.14%
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Scheduled Air Transportation (2.73%)

United Air Lines, Inc., Aircraft Secured Mortgage (N508UA), 20%, due 8/25/16 (5)	\$ 3,642,786	4,549,839	1.00%
United Air Lines, Inc., Aircraft Secured Mortgage (N510UA), 20%, due 9/26/16 (5)	\$ 577,134	721,994	0.16%
United Air Lines, Inc., Aircraft Secured Mortgage (N512UA), 20%, due 10/26/16 (5)	\$ 577,483	724,164	0.16%
United Air Lines, Inc., Aircraft Secured Mortgage (N530UA), 20%, due 11/25/13 (5)	\$ 3,453,496	4,183,910	0.92%
United Air Lines, Inc., Aircraft Secured Mortgage (N536UA), 16%, due 8/21/14 (5)	\$ 566,965	629,048	0.14%
United Air Lines, Inc., Aircraft Secured Mortgage (N545UA), 16%, due 7/17/15 (5)	\$ 660,220	738,787	0.16%
United Air Lines, Inc., Aircraft Secured Mortgage (N585UA), 20%, due 10/25/16 (5)	\$ 678,052	850,277	0.19%
Total Scheduled Air Transportation		12,398,019	

Support Activities for Mining (1.04%)

Allis-Chalmers Energy, Senior Unsecured Notes, 8.5%, due 3/1/17	\$ 5,511,000	4,719,290	1.04%
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Wired Telecommunications Carriers (3.75%)

NEF Telecom Company BV, Mezzanine Term Loan, EURIBOR + 10% PIK, due 8/16/17 (4), (5)	€ 16,092,801	17,019,841	3.75%
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Wireless Telecommunications Carriers (except Satellite) (0.59%)

Clearwire Communications LLC, Senior Secured Notes, 12%, due 12/1/15 (5)	\$ 2,622,000	2,663,270	0.59%
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Total Other Corporate Debt Securities (Cost \$165,054,610)		123,415,921	
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Total Debt Investments (Cost \$241,894,747)		197,769,467	
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Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Consolidated Statement of Investments (Continued)

December 31, 2009

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount or Shares	Fair Value	Percent of Cash and Investments
Equity Securities (31.97%)			
Architectural, Engineering, and Related Services (5.68%)			
ESP Holdings, Inc., Common Stock (2), (3), (5), (6)	88,670	\$ 20,389,788	4.49%
ESP Holdings, Inc., 15% PIK, Preferred Stock (2), (3), (5), (6)	40,618	5,412,228	1.19%
Total Architectural, Engineering, and Related Services		25,802,016	
Data Processing, Hosting, and Related Services (0.61%)			
Anacomp, Inc., Common Stock (2), (3), (5), (8)	1,253,969	2,783,811	0.61%
Depository Credit Intermediation (0.61%)			
Doral Holdings, LP Interest (3), (5)	855,916	2,750,832	0.61%
Industrial Machinery Manufacturing (0.02%)			
GSI Group Inc. Common Stock (3), (5)	216,987	101,441	0.02%
Nonferrous Metal (except Aluminum) Production and Processing (7.01%)			
International Wire Group, Inc., Common Stock (2), (5), (6)	1,979,441	31,869,000	7.01%
Other Electrical Equipment and Component Manufacturing (9.53%)			
EaglePicher Holdings, Inc., Common Stock (2), (3), (5), (6), (7)	1,312,720	43,313,196	9.53%
Other Information Services (0.58%)			
IRI Holdco (RW), LLC, Warrants to Purchase IRI Preferred Stock (3), (5)			