

Special Value Continuation Fund, LLC
Form N-CSR
March 04, 2011

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, 2010

Date of reporting period: DECEMBER 31, 2010

ITEM 1. reports to stockholders.

Annual Shareholder Report

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)
December 31, 2010

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

Annual Shareholder Report

December 31, 2010

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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 (the “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 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.0212-0378483 3/3/2011 4:24 PM

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

Consolidated Portfolio Asset Allocation (Unaudited)

December 31, 2010

Industry	Percent of Cash and Investments
Nonferrous Metal (except Aluminum) Production and Processing	10.3%
Wired Telecommunications Carriers	9.3%
Other Electrical Equipment and Component Manufacturing	8.8%
Other Information Services	6.0%
Architectural, Engineering, and Related Services	6.0%
Business Support Services	5.9%
Radio and Television Broadcasting	4.7%
Other Financial Investment Activities	4.0%
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing	3.7%
Accounting, Tax Preparation, Bookkeeping, and Payroll Services	3.2%
Scheduled Air Transportation	2.9%
Communications Equipment Manufacturing	2.9%
Full-Service Restaurants	2.9%
Other General Merchandise Stores	2.5%
Electric Power Generation, Transmission and Distribution	2.4%
Commercial and Industrial Machinery and Equipment Rental and Leasing	2.3%
Industrial Machinery Manufacturing	2.3%
Book, Periodical, and Music Stores	1.8%
Offices of Real Estate Agents and Brokers	1.6%
Software Publishers	1.6%
Aerospace Product and Parts Manufacturing	1.6%
Gambling Industries	1.5%
Other Professional, Scientific, and Technical Services	1.5%
Metal and Mineral (except Petroleum) Merchant Wholesalers	1.5%
Computer and Peripheral Equipment Manufacturing	1.3%
Support Activities for Mining	1.3%
Oil and Gas Extraction	0.9%
Data Processing, Hosting, and Related Services	0.9%
Semiconductor and Other Electronic Component Manufacturing	0.9%
Other Investment Pools and Funds	0.8%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	0.7%
Depository Credit Intermediation	0.3%
Other Amusement and Recreation Industries	0.0%
Support Activities for Air Transportation	0.0%
Cash and Cash Equivalents	1.7%
Total	100.0%

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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, 2010, 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, 2010, 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, 2010, 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.

February 15, 2011

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

Consolidated Statement of Assets and Liabilities

December 31, 2010

Assets	
Investments, at fair value:	
Unaffiliated issuers (cost \$390,045,229)	\$ 347,820,185
Controlled companies (cost \$26,711,048)	1,086,031
Other affiliates (cost \$74,143,011)	104,128,656
Total investments (cost \$490,899,288)	453,034,872
Cash and cash equivalents	7,749,743
Accrued interest income:	
Unaffiliated issuers	5,183,557
Other affiliates	212,713
Receivable for investment securities sold	5,261,224
Deferred debt issuance costs	1,577,801
Currency options (cost \$607,971)	403,826
Unrealized appreciation on swaps	19,978
Prepaid expenses and other assets	195,444
Total assets	473,639,158
Liabilities	
Credit facility payable	50,000,000
Distribution payable	19,700,000
Payable for investment securities purchased	3,938,116
Management and advisory fees payable	565,599
Currency options written (proceeds \$129,404)	191,906
Payable to the Investment Manager	92,825
Interest payable	79,602
Accrued expenses and other liabilities	482,130
Total liabilities	75,050,178
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	27
Total Series Z preferred stock	23,527
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	377,869
Total preferred limited partner interests	134,377,869

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Net assets applicable to common shareholders	\$	264,187,584
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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		364,742,957
Accumulated net investment income		307,266
Accumulated net realized losses		(62,845,458)
Accumulated net unrealized depreciation		(38,017,573)
Accumulated dividends to Series Z preferred shareholders		(27)
Net assets applicable to common shareholders	\$	264,187,584

Common stock, NAV per share	\$	630.59
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See accompanying notes.

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

Consolidated Statement of Investments

December 31, 2010

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments
Debt Investments (70.83%)			
Bank Debt (36.02%) (1)			
Book, Periodical, and Music Stores (1.81%)			
Borders Group, Inc., Term Loan, LIBOR + 12.25%, due 4/1/14	\$8,492,090	\$8,322,248	1.81 %
Business Support Services (5.61%)			
STG-Fairway Acquisitions, Inc., Senior Secured 1st Lien Term Loan, 13.5%, due 12/30/15	\$25,841,391	25,841,391	5.61 %
Commercial and Industrial Machinery and Equipment Rental and Leasing (2.26%)			