

Special Value Continuation Fund, LLC
Form N-CSR
March 10, 2009

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, 2008

Date of reporting period: DECEMBER 31, 2008

ITEM 1. REPORTS TO STOCKHOLDERS.

Annual Shareholder Report

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)
December 31, 2008

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

Annual Shareholder Report

December 31, 2008

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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)

Performance Summary

Fund Inception (July 31, 2006) through December 31, 2008

Fund Returns v. Merrill Lynch US High Yield and S&P 500 Indices

	Return on Equity (1)			IRR (2)
	2006*	2007	2008	Annualized Inception-to-Date
Special Value Continuation Fund	8.2%	9.2%	-48.8%	-15.0%
Merrill Lynch US High Yield Index	7.3%	2.2%	-26.2%	-8.4%
Standard & Poor's 500 Index	12.0%	5.5%	-36.9%	-11.5%

* Period from inception (July 31, 2006) through December 31, 2006

Past performance of Special Value Continuation Fund, LLC (the "Company") is not a guarantee of future performance. Company returns are net of dividends to preferred shareholders, performance allocations and Company expenses, including financing costs and management fees.

(1) Return on equity (net of dividends to preferred shareholders, performance allocations and Company expenses, including financing costs and management fees) calculated on a monthly geometrically linked, time-weighted basis. Returns are reduced in earlier periods because organizational costs and other expenses are high relative to assets.

(2) Internal rate of return ("IRR") is the imputed annual return over an investment period and, mathematically, is the rate of return at which the discounted cash flows equal the initial outlays. The IRR presented assumes a liquidation of the Company at net asset value as of the period end date.

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

Consolidated Portfolio Asset Allocation

December 31, 2008

Portfolio Holdings by Investment Type (% of Cash and Investments)

Portfolio Holdings by Industry (% of Cash and Investments)

Other Electrical Equipment and Component Manufacturing	14.7%
Data Processing, Hosting, and Related Services	13.7%
Architectural, Engineering, and Related Services	12.6%
Telecom Wireline	12.2%
Nonferrous Metal (except Aluminum) Production and Processing	10.1%
Satellite Telecommunications	9.1%
Semiconductor and Other Electronic Component Manufacturing	5.4%
Other Information Services	5.3%
Communications Equipment Manufacturing	4.0%
Industrial Machinery Manufacturing	1.9%
Motor Vehicle Manufacturing	1.7%
Depository Credit Intermediation	1.7%
Other Amusement and Recreation Industries	1.5%
Offices of Real Estate Agents and Brokers	1.4%
Computer and Peripheral Equipment Manufacturing	1.0%
Plastics Product Manufacturing	0.3%
Radio and Television Broadcasting	0.1%
Support Activities for Air Transportation	0.1%
Electric Power Generation, Transmission and Distribution	0.1%
Cash and Cash Equivalents	3.1%
Total	100.0%

Report of Independent Registered Public Accounting Firm

To 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, 2008, 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 therein. 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 confirmation of securities owned as of December 31, 2008, by correspondence with the custodian and brokers and confirmation of securities not held by the custodian by correspondence with others, or by other appropriate auditing procedures where replies from brokers 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, 2008, 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 therein, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California
February 27, 2009

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

Consolidated Statement of Assets and Liabilities
December 31, 2008

Assets	
Investments, at fair value:	
Unaffiliated issuers (cost \$311,573,451)	\$ 180,424,489
Controlled companies (cost \$36,117,128)	13,312,825
Other affiliates (cost \$150,042,927)	154,766,911
Total investments (cost \$497,733,506)	348,504,225
Cash and cash equivalents	11,063,341
Accrued interest income:	
Unaffiliated issuers	3,426,214
Controlled companies	12,310
Other affiliates	505,434
Deferred debt issuance costs	2,458,379
Dividends receivable	2,137,796
Prepaid expenses and other assets	74,093
Total assets	368,181,792
Liabilities	
Credit facility payable	34,000,000
Payable for investment securities purchased	699,890
Management and advisory fees payable	690,599
Interest payable	675,205
Unrealized depreciation on swaps	541,730
Payable to affiliate	104,843
Accrued expenses and other liabilities	526,964
Total liabilities	37,239,231
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	16
Total Series Z preferred stock	23,516
Preferred equity facility	
Series A preferred limited partner interest in Special Value Continuation Partners, LP; \$20,000/interest liquidation preference; 6,700 interests authorized, issued and outstanding	134,000,000
Accumulated distributions on Series A preferred limited partner interests	1,173,468
Total preferred limited partner interest	135,173,468
Minority interest	
General partner interest in Special Value Continuation Partners, LP	-
Net assets applicable to common shareholders	\$ 195,745,577

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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		364,767,103
Accumulated net investment income		180,425
Accumulated net realized losses		(19,453,227)
Accumulated net unrealized depreciation		(149,749,127)
Accumulated dividends to Series Z preferred shareholders		(16)
Net assets applicable to common shareholders	\$	195,745,577
Common stock, NAV per share	\$	467.22
See accompanying notes.		

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

Consolidated Statement of Investments
December 31, 2008

Showing Percentage of Total Cash and Investments of the Company

Security	Principal Amount	Fair Value	Percent of Cash and Investments
Debt Securities (61.71%)			
Bank Debt (44.57%) (1)			
Architectural, Engineering, and Related Services (4.59%)			
ESP Holdings, Inc., 1st Lien Revolver, LIBOR + 4.5%, due 6/30/09			
(Acquired 4/27/07, Amortized Cost \$79,902) (2), (12)	\$ 79,822	\$ 79,263	0.02%
ESP Holdings, Inc., 1st Lien Term Loan, LIBOR + 4.5%, due 6/30/09			
(Acquired 4/25/07 and 4/27/07, Amortized Cost \$1,344,327) (2), (12)	\$ 1,330,537	1,244,052	0.35%
ESP Holdings, Inc., 2nd Lien Term Loan, LIBOR + 10%, due 9/12/14			
(Acquired 9/12/07, Amortized Cost \$18,154,571) (2), (12)	\$ 18,080,857	15,187,920	4.22%
Total Architectural, Engineering, and Related Services		16,511,235	
Communications Equipment Manufacturing (3.98%)			
Mitel Networks Corporation, 1st Lien Term Loan, LIBOR + 3.25%, due 8/10/14			
(Acquired 12/13/07, Amortized Cost \$18,664,795)	\$ 19,856,165	14,316,295	3.98%
Computer and Peripheral Equipment Manufacturing (0.98%)			
Palm, Inc., Tranche B Term Loan, LIBOR + 3.5%, due 4/24/14			
(Acquired 5/24/07, Amortized Cost \$10,187,617)	\$ 11,319,575	3,537,367	0.98%
Data Processing, Hosting, and Related Services (9.97%)			
GXS Worldwide, Inc., 1st Lien Term Loan, LIBOR + 4%, due 3/31/13			
(Acquired 10/12/07, Amortized Cost \$9,033,021) (12)	\$ 9,217,368	7,304,764	2.03%
GXS Worldwide, Inc., 2nd Lien Term Loan, LIBOR + 7.5%, due 9/30/13			
(Acquired 10/12/07, Amortized Cost \$14,379,238) (12)	\$ 14,598,211	11,715,064	3.26%
Terremark Worldwide, Inc., 1st Lien Term Loan, LIBOR + 3.75%, due 7/31/12			
(Acquired 8/1/07, Amortized Cost \$5,645,458)	\$ 5,645,459	4,440,153	1.23%
Terremark Worldwide, Inc., 2nd Lien Term Loan, LIBOR + 3.25% cash + 4.5% PIK, due 1/31/13			
(Acquired 8/1/07, Amortized Cost \$14,652,087)	\$ 14,733,964	12,405,998	3.45%
Total Data Processing, Hosting, and Related Services		35,865,979	

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Electric Power Generation, Transmission and Distribution
(0.06%)

La Paloma Generating Company Residual Bank Debt

(Acquired 2/2/05, 3/18/05, and 5/6/05, Cost \$1,885,234) (3) \$ 23,218,324 229,161 0.06%

Motor Vehicle Manufacturing (1.74%)

General Motors Corporation, Revolver, LIBOR + 1.75%, due
7/20/11

(Acquired 9/27/07, 11/27/07, and 12/14/07 Amortized Cost
\$13,667,603) \$ 15,000,000 6,253,853 1.74%

Offices of Real Estate Agents and Brokers (1.08%)

Realty Corporation, Revolver, LIBOR + 2.25%, due 4/10/13

(Acquired 6/28/07, 7/9/07 and 7/13/07, Amortized Cost
\$9,530,000) \$ 15,000,000 3,868,750 1.08%

Other Electrical Equipment and Component Manufacturing
(3.56%)

EaglePicher Corporation, 1st Lien Tranche B Term Loan,
LIBOR + 4.5%, due 12/31/12

(Acquired 12/31/07, Amortized Cost \$7,907,594) (2), (12) \$ 7,907,594 6,946,821 1.93%

EaglePicher Corporation, 2nd Lien Term Loan, LIBOR + 7.5%,
due 12/31/13

(Acquired 12/31/07, Amortized Cost \$7,000,000) (2), (12) \$ 7,000,000 5,862,500 1.63%

Total Other Electrical Equipment and Component
Manufacturing

12,809,321

Radio and Television Broadcasting (0.09%)

Newport Television LLC, Term Loan B, LIBOR + 5%, due
9/14/16

(Acquired 5/1/08 and 5/29/08, Amortized Cost \$681,770) \$ 749,198 265,965 0.07%

High Plains Broadcasting Operating Company, Term Loan,
LIBOR + 5%, due 9/14/16

(Acquired 9/15/08, Amortized Cost \$180,370) \$ 198,208 70,364 0.02%

Total Radio and Television Broadcasting 336,329

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

Consolidated Statement of Investments (Continued)
December 31, 2008

Showing Percentage of Total Cash and Investments of the Company

Security	Principal Amount	Fair Value	Percent of Cash and Investments
Debt Securities (continued)			
Satellite Telecommunications (7.47%)			
WildBlue Communications, Inc., 1st Lien Delayed Draw Term Loan, LIBOR + 4% Cash + 2.5% PIK, due 12/31/09 (Acquired 9/29/06, Amortized Cost \$13,755,612) (12)	\$ 13,755,612	\$ 12,428,416	3.46%
WildBlue Communications, Inc., 2nd Lien Delayed Draw Term Loan, LIBOR + 8.5% Cash + 7.25% PIK, due 8/15/11 (Acquired 9/29/06, Amortized Cost \$17,139,781) (12)	\$ 17,139,781	14,417,272	4.01%
Total Satellite Telecommunications		26,845,688	
Semiconductor and Other Electronic Component Manufacturing (5.44%)			
Celerity, Inc., Senior Secured Notes, LIBOR + 12%, due 12/31/09 (Acquired 4/15/08, Amortized Cost \$20,578,307) (12)	\$ 23,816,298	18,244,654	5.07%
Celerity, Inc., Senior Second Lien Secured Convertible Notes, 12% PIK, due 12/31/09 (Acquired 4/15/08, Amortized Cost \$7,316,698) (12)	\$ 7,769,822	1,317,006	0.37%
Total Semiconductor and Other Electronic Component Manufacturing		19,561,660	
Telecom Wireline (5.61%)			
Cavalier Telephone Corporation, Senior Secured 1st Lien Term Loan, 6.25 Cash + 1% PIK, due 12/31/12 (Acquired 4/24/08, Amortized Cost \$702,833)	\$ 900,115	234,030	0.07%
Integra Telecom, Inc., 2nd Lien Term Loan, LIBOR + 7%, due 2/28/14 (Acquired 9/05/07, Amortized Cost \$3,360,000)	\$ 3,500,000	1,713,688	0.48%
Integra Telecom, Inc., Term Loan, LIBOR + 10% PIK, due 8/31/14 (Acquired 9/05/07, Amortized Cost \$4,750,018)	\$ 4,750,018	2,110,195	0.59%
Interstate Fibernet, Inc., 1st Lien Term Loan, LIBOR + 4%, due 7/31/13 (Acquired 8/01/07, Amortized Cost \$11,036,156) (2), (12)	\$ 11,348,232	8,189,645	2.28%
Interstate Fibernet, Inc., 2nd Lien Term Loan, LIBOR + 7.5%, due 7/31/14			

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(Acquired 7/31/07, Amortized Cost \$8,281,636) (2), (12)	\$	8,281,636	6,360,297	1.77%
NEF Telecom Company BV, 2nd Lien Tranche D Term Loan, EURIBOR + 5.5%, due 2/16/17				
(Acquired 8/29/07, and 11/29/07 Amortized Cost \$2,111,865) - (Netherlands) (9), (12)	€	1,538,600	1,497,181	0.42%
Total Telecom Wireline			20,105,036	
Total Bank Debt (Cost \$222,027,056)			160,240,674	
Other Corporate Debt Securities (17.14%)				
Architectural, Engineering, and Related Services (1.52%)				
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 18% PIK due 3/31/15 (2), (12)	\$	5,648,907	5,479,440	1.52%
Data Processing, Hosting, and Related Services (2.32%)				
Anacomp, Inc., Promissory Note, LIBOR + 6.5% PIK, due 8/31/09 (2), (10)	\$	1,175,667	1,081,614	0.30%
Anacomp, Inc., Senior Secured Subordinated Notes, 14% PIK, due 3/12/13 (2), (10)	\$	8,230,413	7,259,224	2.02%
Total Data Processing, Hosting, and Related Services			8,340,838	
Industrial Machinery Manufacturing (1.85%)				
GSI Group Corporation, Senior Notes, 11%, due 8/20/13 (Acquired 8/20/08, Amortized Cost \$ 6,697,834) (5)	\$	7,778,000	6,642,412	1.85%
Plastics Product Manufacturing (0.30%)				
Pliant Corporation, Senior Secured 2nd Lien Notes, 11.125%, due 9/1/09	\$	13,477,000	1,090,559	0.30%

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

Consolidated Statement of Investments (Continued)
December 31, 2008

Showing Percentage of Total Cash and Investments of the Company

Security	Principal Amount or Shares	Fair Value	Percent of Cash and Investments
Debt Securities (continued)			
Offices of Real Estate Agents and Brokers (0.27%)			
Realty Corporation, Senior Note, 10.5%, due 4/15/14	\$ 1,965,000	\$ 335,956	0.09%
Realty Corporation, Senior Subordinated Notes, 12.375%, due 4/15/15	\$ 4,915,000	656,644	0.18%
Total Offices of Real Estate Agents and Brokers		992,600	
Other Amusement and Recreation Industries (1.53%)			
Bally Total Fitness Holdings, Inc., Senior Subordinated Notes, 14% Cash or 15.625% PIK, due 10/1/13 (Acquired 10/01/07, Amortized Cost \$45,025,305) (3), (5)			
	\$ 44,090,666	5,511,333	1.53%
Other Information Services (4.99%)			
IRI Holdco (RW), LLC Note Receivable, 8 %, due 2/12/11 (Acquired 10/31/08, Cost \$18,336,377) (3), (5), (12)			
	19,506,784	17,946,241	4.99%
Telecom Wireline (4.36%)			
NEF Telecom Company BV, Mezzanine Term Loan, EURIBOR + 10% PIK, due 8/16/17 (Acquired 8/29/07, Amortized Cost \$19,561,122) - (Netherlands) (9), (5), (12)			
	€ 14,073,015	15,670,144	4.36%
Total Other Corporate Debt Securities (Cost \$121,108,127)		61,673,567	
Total Debt Securities (Cost \$343,135,183)		221,914,241	
Equity Securities (35.21%)			
Architectural, Engineering, and Related Services(6.52%)			