

# **Babson Capital Corporate Investors**

Report for the  
Three Months Ended March 31, 2016



## Adviser

Babson Capital Management LLC  
1500 Main Street, P.O. Box 15189  
Springfield, Massachusetts 01115-5189

## Independent Registered Public Accounting Firm

KPMG LLP  
Boston, Massachusetts 02110

## Counsel to the Trust

Ropes & Gray LLP  
Boston, Massachusetts 02110

## Custodian

State Street Bank and Trust Company  
Boston, Massachusetts 02116

## Transfer Agent & Registrar

DST Systems, Inc.  
P.O. Box 219086  
Kansas City, Missouri 64121-9086  
1-800-647-7374

## Internet Website

[www.babsoncapital.com/funds/closed-end-funds/babson-capital-corporate-investors](http://www.babsoncapital.com/funds/closed-end-funds/babson-capital-corporate-investors)



Babson Capital Corporate Investors  
c/o Babson Capital Management LLC  
1500 Main Street, Suite 2200  
Springfield, Massachusetts 01115  
(413) 226-1516

## Investment Objective and Policy

Babson Capital Corporate Investors (the "Trust") is a closed-end management investment company, first offered to the public in 1971, whose shares are traded on the New York Stock Exchange under the trading symbol "MCI". The Trust's share price can be found in the financial section of most newspapers under either the New York Stock Exchange listings or Closed-End Fund Listings.

The Trust's investment objective is to maintain a portfolio of securities providing a current yield and at the same time offering an opportunity for capital gains. The Trust's principal investments are privately placed, below-investment grade, long-term debt obligations. Such direct placement securities may, in some cases, be accompanied by equity features such as common stock, warrants, conversion rights, or other equity features and, occasionally, preferred stocks. The Trust typically purchases these investments, which are not publicly tradable, directly from their issuers in private placement transactions. These investments are typically mezzanine debt instruments with accompanying private equity securities made to small or middle market companies. In addition, the Trust may invest, subject to certain limitations, in marketable investment grade debt securities, other marketable debt securities (including high yield securities) and marketable common stocks. Below-investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest and repay principal.

Babson Capital Management LLC ("Babson Capital") manages the Trust on a total return basis. The Trust distributes substantially all of its net income to shareholders each year. Accordingly, the Trust pays dividends to shareholders in January, May, August, and November. The Trust pays dividends to its shareholders in cash, unless the shareholder elects to participate in the Dividend Reinvestment and Share Purchase Plan.

## Form N-Q

The Trust files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. This information is available (i) on the SEC's website at <http://www.sec.gov>; and (ii) at the SEC's Public Reference Room in Washington, DC (which information on their operation may be obtained by calling 1-800-SEC-0330).

A complete schedule of portfolio holdings as of each quarter-end is available upon request by calling, toll-free, 866-399-1516.

## Proxy Voting Policies & Procedures; Proxy Voting Record

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital. A description of Babson Capital's proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 866-399-1516; (2) on the Trust's website: <http://www.babsoncapital.com/funds/closed-end-funds/babson-capital-corporate-investors>; and (3) on the SEC's website at <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (1) on the Trust's website: <http://www.babsoncapital.com/funds/closed-end-funds/babson-capital-corporate-investors>; and (2) on the SEC's website at <http://www.sec.gov>.

## Legal Matters

The Trust has entered into contractual arrangements with an investment adviser, transfer agent and custodian (collectively "service providers") who each provide services to the Trust. Shareholders are not parties to, or intended beneficiaries of, these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the Trust.

Under the Trust's Bylaws, any claims asserted against or on behalf of the Trust, including claims against Trustees and officers must be brought in courts located within the Commonwealth of Massachusetts.

The Trust's registration statement and this shareholder report are not contracts between the Trust and its shareholders and do not give rise to any contractual rights or obligations or any shareholder rights other than any rights conferred explicitly by federal or state securities laws that may not be waived.



## TO OUR SHAREHOLDERS

April 30, 2016

We are pleased to present the March 31, 2016 Quarterly Report of Babson Capital Corporate Investors (the "Trust").

The Board of Trustees declared a quarterly dividend of \$0.30 per share, payable on May 13, 2016 to shareholders of record on May 2, 2016. The Trust paid a \$0.30 per share dividend for the preceding quarter. The Trust earned \$0.24 per share of net investment income, including \$0.03 per share of non-recurring charges, for the first quarter of 2016, compared to \$0.28 per share, including \$0.01 per share of non-recurring income, in the previous quarter.

During the first quarter, the net assets of the Trust increased to \$282,588,113 or \$14.35 per share compared to \$275,915,289 or \$14.03 per share on December 31, 2015. This translates into a 2.3% total return for the quarter, based on the change in the Trust's net assets assuming the reinvestment of all dividends. Longer term, the Trust returned 3.9%, 10.2%, 12.0%, 10.4%, and 13.7% for the 1-, 3-, 5-, 10-, and 25-year periods ended March 31, 2016, respectively, based on the change in the Trust's net asset value (net of all fees and expenses) assuming the reinvestment of all dividends and distributions.

The Trust's share price decreased 1.4% during the quarter, from \$17.25 per share as of December 31, 2015 to \$17.01 per share as of March 31, 2016. The Trust's market price of \$17.01 per share equates to an 18.5% premium over the March 31, 2016 net asset value per share of \$14.35. The Trust's average quarter-end premium for the 3-, 5- and 10-year periods was 10.5%, 16.0% and 13.0%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, decreased 1.5% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, increased 3.4% for the quarter.

The Trust closed four new private placement investments, as well as one add-on investment in an existing portfolio company, during the first quarter. The four new investments were in Glynlyon Holding Companies, Inc., PANOS Brands LLC, Veritext Corporation and Wolf-Gordon, Inc., while the add-on investment was in PPC Event Services. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in these transactions was \$14,086,000.

It was an active first quarter for the Trust in terms of new investments. Middle market merger and acquisition activity, a key driver of deal flow for the Trust, was steady during the quarter. We expect deal flow to remain steady for the rest of the year, assuming no significant external shocks to the market, so we are optimistic about the level of new investment activity for the Trust in 2016. The dark cloud on the horizon though, continues to be the high purchase prices and leverage levels that have been common in buyout transactions for the last couple of years. Average purchase price multiples for small companies continue to be at their highest levels in the past 15 years. Leverage multiples have also been worrisomely high for several years and are near their highs of the past 15 years as well. Though we are actively making new investments on behalf of the Trust in this market, we do so cautiously and with discipline, consistent with our longstanding investment philosophy of seeking to take prudent levels of risk and getting paid appropriately for the risk taken. We are not willing to provide financial leverage at levels that we believe are imprudent. This approach has served us well over the long term and through all kinds of market cycles.

The condition of the Trust's existing portfolio remained solid through the first quarter. The number of companies on our watch list and in default continues to be at or near the lowest level we have seen over the last five years. We successfully exited one investment during the quarter. We have a solid backlog of portfolio companies that are in the process of being sold, with three companies already having been sold so far in the second quarter. We had no companies prepay their debt instruments held by the Trust during the quarter.

While the Trust was able to maintain its \$0.30 per share quarterly dividend for the first quarter, we must make note again, as we have for over two years now, that this dividend level may not be sustainable through 2016. The Trust's net investment income per share from recurring sources of \$0.27 for the first quarter was once again below the dividend rate. Net investment income per share from recurring sources has been below the dividend rate for every quarter since the third quarter of 2013. As we have discussed in prior reports, net investment income is down due principally to the considerable reduction in the number of private debt securities in the portfolio resulting from the high level of exit and prepayment activity that occurred in 2013 and 2014. With several strong recent quarters of new investment activity, we have made some progress in rebuilding the private debt portfolio, but it is still well below its former size. We have been able to maintain the \$0.30 per share quarterly dividend with current income, non-recurring income and earnings carried forward from prior quarters. Over time, however, the Trust's dividend-paying ability tends to be correlated with its recurring earnings capacity. This quarter, the Trust utilized \$0.06 per share of earnings carry-forwards to maintain the \$0.30 per share quarterly dividend. The Trust continues to have earnings carry-forwards which should be available to supplement recurring income for the next few quarters. But unless market conditions change dramatically, it is still

(Continued)

unlikely that we will be able to completely rebuild the portfolio back to its former size in the near term and grow net investment income. As a result, it is likely that in 2016 we will have to reduce the dividend from the current \$0.30 per share quarterly rate. As we move through 2016, we and the Board of Trustees will continue to evaluate the current and future earnings capacity of the Trust and formulate a dividend strategy that is consistent with that earnings level.

On behalf of the Trust’s shareholders, the members of the Board of Trustees and the officers of the Trust, I would like to thank William J. Barrett for his many years of dedicated service to the Trust as a Trustee. Bill retired from the Board of Trustees effective as of the Trust’s Annual Meeting of Shareholders which occurred on April 22, 2016. Bill had been a Trustee since 2006, and has provided the Trust with invaluable insight and guidance and has served our shareholders extremely well during his long tenure as a Trustee.

Lastly, as I announced at the Annual Meeting of Shareholders, I will be retiring from Babson Capital and as President of the Trust, effective June 1, 2016. At their April 22, 2016 meeting, the Board of Trustees elected Robert M. Shettle to succeed me as President of the Trust. Bob joined Babson Capital in 1998 and is currently a Vice President of the Trust and also head of Babson Capital’s Mezzanine and Private Equity Group, where he oversees a team of investment professionals who originate, analyze, structure and document mezzanine and private equity investments.

Thank you for your continued interest in and support of Babson Capital Corporate Investors.

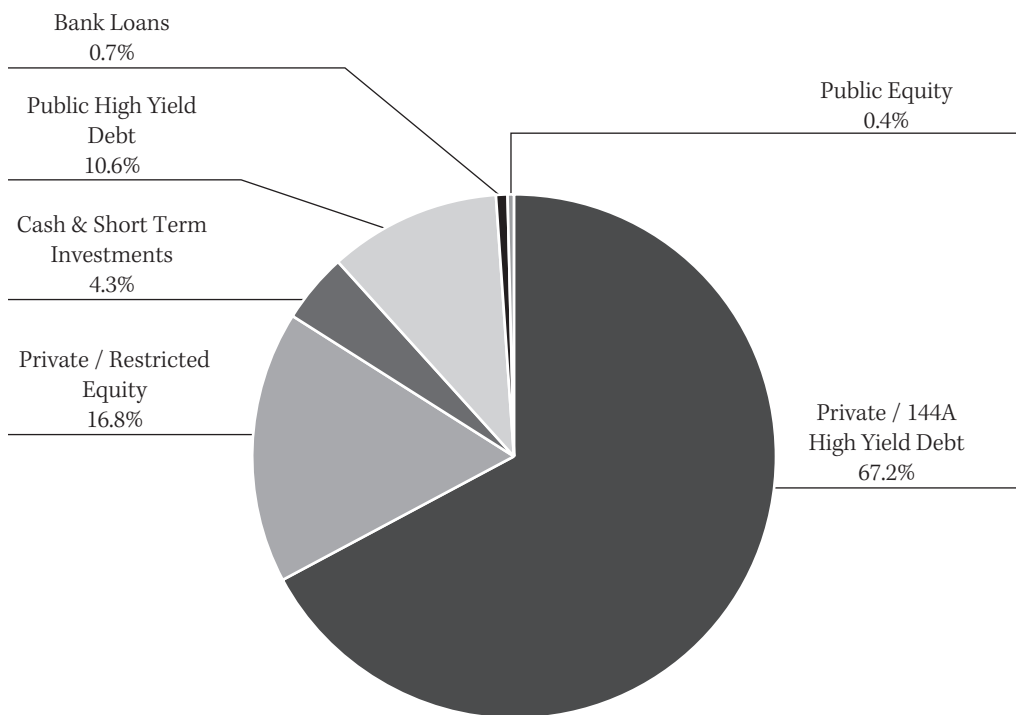
Sincerely,



Michael L. Klofas

President

**Portfolio Composition as of 3/31/16\***



\* Based on market value of total investments (including cash)  
 Cautionary Notice: Certain statements contained in this report may be “forward looking” statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made and which reflect management’s current estimates, projections, expectations or beliefs, and which are subject to risks and uncertainties that may cause actual results to differ materially. These statements are subject to change at any time based upon economic, market or other conditions and may not be relied upon as investment advice or an indication of the Trust’s trading intent. References to specific securities are not recommendations of such securities, and may not be representative of the Trust’s current or future investments. We undertake no obligation to publicly update forward looking statements, whether as a result of new information, future events, or otherwise.

**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****March 31, 2016****(Unaudited)**

<b>Assets:</b>	
Investments	
(See Consolidated Schedule of Investments)	
Corporate restricted securities at fair value	
(Cost - \$205,671,979)	\$ 211,077,681
Corporate restricted securities at market value	
(Cost - \$53,355,370)	51,050,285
Corporate public securities at market value	
(Cost - \$40,421,913)	36,537,330
Short-term securities at amortized cost	4,174,408
	<hr/>
Total investments (Cost - \$303,623,670)	302,839,704
Cash	9,266,492
Interest receivable	3,004,602
Receivable for investments sold	682,844
Other assets	28,838
	<hr/>
<b>Total assets</b>	<b>315,822,480</b>
	<hr/>
<b>Liabilities:</b>	
Note payable	30,000,000
Deferred tax liability	1,186,434
Investment advisory fee payable	883,088
Payable for investments purchased	546,304
Interest payable	202,400
Tax payable	103,128
Accrued expenses	313,013
	<hr/>
<b>Total liabilities</b>	<b>33,234,367</b>
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<b>Total net assets</b>	<b>\$ 282,588,113</b>
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<b>Net Assets:</b>	
Common shares, par value \$1.00 per share	\$ 19,694,642
Additional paid-in capital	111,883,094
Retained net realized gain on investments, prior years	143,724,071
Undistributed net investment gain	9,068,996
Accumulated net realized gain on investments	187,710
Net unrealized depreciation of investments	(1,970,400)
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<b>Total net assets</b>	<b>\$ 282,588,113</b>
	<hr/>
Common shares issued and outstanding (28,054,782 authorized)	19,694,642
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Net asset value per share	\$ 14.35
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See Notes to Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF OPERATIONS

For the three months ended March 31, 2016

(Unaudited)

### Investment Income:

Interest	\$ 6,190,325
Dividends	88,719
Other	34,437
	<hr/>
Total investment income	6,313,481

### Expenses:

Investment advisory fees	883,088
Interest	396,000
Trustees' fees and expenses	97,500
Professional fees	52,585
Reports to shareholders	28,500
Custodian fees	8,400
Other	38,577
	<hr/>
Total expenses	1,504,650
Investment income - net	4,808,831

### Net realized and unrealized gain on investments:

Net realized loss on investments before taxes	(1,345,504)
Income tax expense	(316,966)
	<hr/>
Net realized loss on investments after taxes	(1,662,470)
Net change in unrealized appreciation of investments before taxes	3,089,553
Net change in deferred income tax expense	(58,257)
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Net change in unrealized appreciation of investments after taxes	3,031,296
Net gain on investments	1,368,826
Net increase in net assets resulting from operations	<u>\$ 6,177,657</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three months ended March 31, 2016

(Unaudited)

**Net increase in cash:**

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$ 2,729,790
Purchases of portfolio securities	(16,008,952)
Proceeds from disposition of portfolio securities	16,702,817
Interest, dividends and other income received	5,420,556
Interest expense paid	(396,000)
Operating expenses paid	(1,100,877)
Income taxes paid	(1,604,070)
<b>Net cash provided by operating activities</b>	<b><u>5,743,264</u></b>

Cash flows from financing activities:

Cash dividends paid from net investment income	(5,899,411)
Receipts for shares issued on reinvestment of dividends	495,167
<b>Net cash used for financing activities</b>	<b><u>(5,404,244)</u></b>

<b>Net increase in cash</b>	<b>339,020</b>
Cash - beginning of year	8,927,472
Cash - end of period	<b><u>\$ 9,266,492</u></b>

**Reconciliation of net increase in net assets to net cash provided by operating activities:**

<b>Net increase in net assets resulting from operations</b>	<b><u>\$ 6,177,657</u></b>
Decrease in investments	380,589
Decrease in interest receivable	505,276
Increase in receivable for investments sold	(682,844)
Decrease in other assets	37,356
Increase in deferred tax liability	58,257
Increase in investment advisory fee payable	20,853
Increase in payable for investments purchased	546,304
Decrease in tax payable	(1,287,104)
Decrease in accrued expenses	(13,080)
<b>Total adjustments to net assets from operations</b>	<b><u>(434,393)</u></b>
<b>Net cash provided by operating activities</b>	<b><u>\$ 5,743,264</u></b>

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the three months ended 03/31/2016 (Unaudited)	For the year ended 12/31/2015
<b>Increase in net assets:</b>		
Operations:		
Investment income - net	\$ 4,808,831	\$ 20,423,963
Net realized (loss)/gain on investments after taxes	(1,662,470)	1,884,370
Net change in unrealized appreciation/(depreciation) of investments after taxes	<u>3,031,296</u>	<u>(5,025,211)</u>
Net increase in net assets resulting from operations	6,177,657	17,283,122
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2016 - 29,938; 2015 - 131,288)	495,167	2,041,729
Dividends to shareholders from:		
Net investment income (2016 - \$0.00 per share; 2015 - \$1.20 per share)	<u>-</u>	<u>(23,539,826)</u>
Total increase/(decrease) in net assets	6,672,824	(4,214,975)
Net assets, beginning of period/year	<u>275,915,289</u>	<u>280,130,264</u>
Net assets, end of period/year (including undistributed net investment income of \$9,068,996 and \$4,260,165, respectively)	<u>\$ 282,588,113</u>	<u>\$ 275,915,289</u>

See Notes to Consolidated Financial Statements



**CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS****Selected data for each share of beneficial interest outstanding:**

	For the three months ended 03/31/2016 (Unaudited)	For the years ended December 31,			
		2015	2014	2013	2012
Net asset value:					
Beginning of period/year	\$ 14.03	\$ 14.34	\$ 13.85	\$ 13.38	\$ 12.69
Net investment income (a)	0.24	1.04	1.23	1.18	1.28
Net realized and unrealized gain (loss) on investments	0.07	(0.16)	0.45	0.48	0.69
Total from investment operations	0.31	0.88	1.68	1.66	1.97
Dividends from net investment income to common shareholders	-	(1.20)	(1.20)	(1.20)	(1.25)
Dividends from realized gain on investments to common shareholders	-	-	-	-	(0.05)
Increase from dividends reinvested	0.01	0.01	0.01	0.01	0.02
Total dividends	0.01	(1.19)	(1.19)	(1.19)	(1.28)
Net asset value: End of period/year	\$ 14.35	\$ 14.03	\$ 14.34	\$ 13.85	\$ 13.38
Per share market value:					
End of period/year	\$ 17.01	\$ 17.25	\$ 15.89	\$ 14.93	\$ 15.28
Total investment return					
Net asset value (b)	2.28%	6.20%	13.78%	12.76%	17.07%
Market value (b)	(1.39%)	17.01%	16.53%	5.93%	(7.11%)
Net assets (in millions):					
End of period/year	\$ 282.59	\$ 275.92	\$ 280.13	\$ 268.69	\$ 257.38
Ratio of total expenses to average net assets	2.63% (d)	2.56%	3.66%	2.42%	3.17%
Ratio of operating expenses to average net assets	1.60% (d)	1.67%	1.65%	1.64%	1.66%
Ratio of interest expense to average net assets	0.57% (d)	0.55%	0.57%	0.59%	0.63%
Ratio of income tax expense to average net assets (c)	0.46% (d)	0.34%	1.44%	0.19%	0.88%
Ratio of net investment income to average net assets	6.95% (d)	7.12%	8.57%	8.50%	9.78%
Portfolio turnover	6%	29%	38%	34%	34%

(a) Calculated using average shares.

(b) Net asset value return represents portfolio returns based on change in the Trust's net asset value assuming the reinvestment of all dividends and distributions which differs from the total investment return based on the Trust's market value due to the difference between the Trust's net asset value and the market value of its shares outstanding; past performance is no guarantee of future results.

(c) As additional information, this ratio is included to reflect the taxes paid on retained long-term gains. These taxes paid are netted against realized capital gains in the Statement of Operations. The taxes paid are treated as deemed distributions and a credit for the taxes paid is passed on to the shareholders.

(d) Annualized.

**Senior borrowings:**

Total principal amount (in millions)	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
Asset coverage per \$1,000 of indebtedness	\$ 10,420	\$ 10,197	\$ 10,338	\$ 9,956	\$ 9,579

See Notes to Consolidated Financial Statements

## CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2016

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Corporate Restricted Securities - 92.76%: (A)</b>				
<b>Private Placement Investments - 74.69%: (C)</b>				
<b>1492 Acquisition LLC</b>				
A leading producer of premium Italian cured meats and deli meats in the U.S.				
14% Senior Subordinated Note due 10/17/2019	\$ 1,667,032	10/17/12	\$ 1,646,935	\$ 1,667,032
Limited Liability Company Unit Class A Preferred (B)	245 uts.	10/17/12	245,450	316,024
Limited Liability Company Unit Class A Common (B)	27,273 uts.	10/17/12	27,273	267,044
			<u>1,919,658</u>	<u>2,250,100</u>
<b>A W X Holdings Corporation</b>				
A provider of aerial equipment rental, sales and repair services to non-residential construction and maintenance contractors operating in the State of Indiana.				
10.5% Senior Secured Term Note due 12/20/2016 (D)	\$ 735,000	05/15/08	724,402	709,275
13% Senior Subordinated Note due 12/20/2016 (D)	\$ 735,000	05/15/08	673,096	-
Common Stock (B)	105,000 shs.	05/15/08	105,000	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	36,923 shs.	05/15/08	62,395	-
			<u>1,564,893</u>	<u>709,275</u>
<b>ABC Industries, Inc.</b>				
A manufacturer of mine and tunneling ventilation products in the U.S.				
13% Senior Subordinated Note due 07/31/2019	\$ 436,364	08/01/12	408,621	436,363
Preferred Stock Series A (B)	300,000 shs.	08/01/12	300,000	557,493
Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)	53,794 shs.	08/01/12	101,870	94,323
			<u>810,491</u>	<u>1,088,179</u>
<b>Advanced Manufacturing Enterprises LLC</b>				
A designer and manufacturer of large, custom gearing products for a number of critical customer applications.				
Limited Liability Company Unit (B)	4,669 uts.	*	498,983	18,664
* 12/07/12, 07/11/13 and 06/30/15.				
<b>Advanced Technologies Holdings</b>				
A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	287 shs.	12/27/07	141,915	556,658
Convertible Preferred Stock Series B (B)	52 shs.	01/04/11	40,800	101,886
			<u>182,715</u>	<u>658,544</u>
<b>AFC - Dell Holding Corporation</b>				
A distributor and provider of inventory management services for "C-Parts" used by OEMs in their manufacturing and production facilities.				
12.5% Senior Subordinated Note due 09/27/2020	\$ 2,423,318	03/27/15	2,381,895	2,469,958
Preferred Stock (B)	2,276 shs.	03/27/15	227,558	228,711
Common Stock (B)	703 shs.	03/27/15	703	-
			<u>2,610,156</u>	<u>2,698,669</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Airxcel Holdings</b>				
A leading manufacturer of a broad range of climate control solutions, including air-conditioners, heat pumps, cooking appliances, furnaces, powered vents, and water heaters.				
12.5% Senior Subordinated Note due 11/18/2020	\$ 2,977,431	11/18/14	\$ 2,928,792	\$ 2,998,248
Limited Liability Company Unit	583 uts.	11/18/14	583,000	620,779
			<u>3,511,792</u>	<u>3,619,027</u>
<b>AMS Holding LLC</b>				
A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.				
Limited Liability Company Unit Class A Preferred (B)	273 uts.	10/04/12	272,727	795,280
<b>Animal Supply Company</b>				
A distributor of pet products to independent pet stores, veterinary clients and other pet specialty retailers.				
10.5% Second Lien Term Loan due 09/17/2019	\$ 3,570,000	03/30/15	3,529,367	3,390,219
<b>ARI Holding Corporation</b>				
A leading national supplier of products used primarily by specialty contractors.				
11.5% Senior Subordinated Note due 02/01/2020	\$ 3,413,408	*	3,372,542	3,420,786
Limited Partnership Interest	1,048 uts.	08/01/14	1,047,900	1,225,526
			<u>4,420,442</u>	<u>4,646,312</u>
* 05/21/13 and 08/01/14.				
<b>ASC Holdings, Inc.</b>				
A manufacturer of capital equipment used by corrugated box manufacturers.				
13% Senior Subordinated Note due 05/18/2021	\$ 1,507,871	11/19/15	1,479,230	1,503,414
Limited Liability Company Unit (B)	225,300 uts.	11/18/15	225,300	100,709
			<u>1,704,530</u>	<u>1,604,123</u>
<b>Aurora Parts &amp; Accessories LLC</b>				
A distributor of aftermarket over-the-road semi-trailer parts and accessories sold to customers across North America.				
11% Senior Subordinated Note due 02/17/2022	\$ 3,074,700	08/17/15	3,018,225	3,098,547
Preferred Stock (B)	425 shs.	08/17/15	424,875	421,328
Common Stock (B)	425 shs.	08/17/15	425	-
			<u>3,443,525</u>	<u>3,519,875</u>
<b>Avantech Testing Services LLC</b>				
A manufacturer of custom Non-Destructive Testing ("NDT") systems and provider of NDT and inspections services primarily to the oil country tubular goods market.				
15% Senior Subordinated Note due 01/31/2020 (D)	\$ 1,015,684	07/31/14	996,694	-
Limited Liability Company Unit	92,327 uts.	*	-	-
			<u>996,694</u>	<u>-</u>
* 07/31/14 and 10/14/15.				

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Blue Wave Products, Inc.</b>				
A distributor of pool supplies.				
10% Senior Secured Term Note due 09/30/2018	\$ 446,808	10/12/12	\$ 442,412	\$ 446,808
13% Senior Subordinated Note due 09/30/2019	\$ 740,120	10/12/12	707,106	740,120
Common Stock (B)	114,894 shs.	10/12/12	114,894	415,878
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	45,486 shs.	10/12/12	45,486	164,644
			<u>1,309,898</u>	<u>1,767,450</u>
<b>BlueSpire Holding, Inc.</b>				
A marketing services firm that integrates strategy, technology, and content to deliver customized marketing solutions for clients in the senior living, financial services and healthcare end markets.				
12.5% Senior Subordinated Note due 06/30/2021	\$ 3,217,730	06/30/15	3,159,684	3,128,648
Common Stock (B)	2,876 shs.	06/30/15	318,200	232,673
			<u>3,477,884</u>	<u>3,361,321</u>
<b>BP SCI LLC</b>				
A leading value-added distributor of branded pipes, valves, and fittings (PVF) to diversified end markets.				
Limited Liability Company Unit Class A (B)	1,000 uts.	10/17/12	100,000	322,008
Limited Liability Company Unit Class B (B)	400 uts.	10/17/12	400,000	587,406
			<u>500,000</u>	<u>909,414</u>
<b>CG Holdings Manufacturing Company</b>				
A coating provider serving the automotive, agricultural, heavy truck and other end markets.				
13% Senior Subordinated Note 11/01/2019	\$ 3,390,252	*	3,257,712	3,424,155
Preferred Stock (B)	3,241 shs.	*	324,054	383,569
Preferred Stock (B)	1,174 shs.	*	116,929	138,971
Common Stock (B)	337 shs.	*	35,673	163,579
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	137 shs.	*	13,033	66,554
* 05/09/13 and 11/01/13.			<u>3,747,401</u>	<u>4,176,828</u>
<b>CHG Alternative Education Holding Company</b>				
A leading provider of publicly-funded, for profit pre-K-12 education services targeting special needs children at therapeutic day schools and "at risk" youth through alternative education programs.				
13.5% Senior Subordinated Note due 01/19/2018	\$ 2,313,060	01/19/11	2,267,040	2,313,060
14% Senior Subordinated Note due 08/03/2019	\$ 605,727	08/03/12	599,002	605,727
Common Stock (B)	1,125 shs.	01/19/11	112,500	139,065
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	884 shs.	01/19/11	87,750	109,314
			<u>3,066,292</u>	<u>3,167,166</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Church Services Holding Company</b>				
A provider of diversified residential services to homeowners in the Houston, Dallas, and Austin markets.				
14.5% Senior Subordinated Note due 03/26/2018	\$ 572,800	03/26/12	\$ 564,374	\$ 525,137
10% Senior Subordinated Note due 09/15/2099	\$ 20,559	09/15/14	20,559	-
Common Stock (B)	3,981 shs.	*	398,100	-
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	172 shs.	03/26/12	17,220	-
* 03/26/12, 05/25/12 and 06/19/12.			<u>1,000,253</u>	<u>525,137</u>
<b>Clarion Brands Holding Corp.</b>				
A portfolio of six over-the-counter (OTC) pharmaceutical brands whose products are used to treat tinnitus or ringing of the ear, excessive sweating, urinary tract infections, muscle pain, and skin conditions.				
12.5% Senior Subordinated Note due 04/01/2021	\$ 3,254,083	10/01/14	3,199,783	3,286,624
Common Stock (B)	3,182 shs.	10/01/14	318,182	173,349
			<u>3,517,965</u>	<u>3,459,973</u>
<b>Clough, Harbour and Associates</b>				
An engineering service firm that is located in Albany, NY.				
Preferred Stock (B)	277 shs.	12/02/08	276,900	1,270,357
<b>Compass Chemical International LLC</b>				
A manufacturer and supplier of standard and specialty formulated chemicals, primarily phosphoric acid derivatives called phosphonates.				
13% Senior Subordinated Note due 10/04/2020	\$ 3,098,892	03/04/15	3,047,453	3,095,759
Limited Liability Company Unit (B)	467 uts.	03/04/15	466,700	482,119
			<u>3,514,153</u>	<u>3,577,878</u>
<b>Connecticut Electric, Inc.</b>				
A supplier and distributor of electrical products sold into the retail and wholesale markets.				
Limited Liability Company Unit Class A (B)	156,046 uts.	01/12/07	156,046	196,823
Limited Liability Company Unit Class C (B)	112,873 uts.	01/12/07	112,873	151,506
Limited Liability Company Unit Class D (B)	1,268,437 uts.	05/03/10	-	1,566,647
Limited Liability Company Unit Class E (B)	2,081 uts.	05/03/10	-	229,349
			<u>268,919</u>	<u>2,144,325</u>
<b>CTM Holding, Inc.</b>				
A leading owner and operator of coin-operated children's rides, penny presses and candy kiosks in the U.S.				
15% Senior Subordinated Note due 11/22/2019	\$ 2,536,269	11/22/13	2,502,695	2,509,782
Common Stock (B)	155 shs.	11/22/13	886,364	962,227
			<u>3,389,059</u>	<u>3,472,009</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Custom Engineered Wheels, Inc.</b>				
A manufacturer of custom engineered, non-pneumatic plastic wheels and plastic tread cap tires used primarily for lawn and garden products and wheelchairs.				
Preferred Stock PIK (B)	296 shs.	10/26/09	\$ 295,550	\$ 501,478
Preferred Stock Series A (B)	216 shs.	10/27/09	197,152	366,399
Common Stock (B)	72 shs.	10/26/09	72,238	226,380
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	53 shs.	10/27/09	48,608	165,398
			<u>613,548</u>	<u>1,259,655</u>
<b>DPL Holding Corporation</b>				
A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.				
14% Senior Subordinated Note due 05/04/2019	\$ 3,319,463	05/04/12	3,284,732	3,319,463
Preferred Stock (B)	61 shs.	05/04/12	605,841	790,657
Common Stock (B)	61 shs.	05/04/12	67,316	17,502
			<u>3,957,889</u>	<u>4,127,622</u>
<b>Dunn Paper</b>				
A provider of specialty paper for niche product applications.				
Preferred Stock (B)	530 shs.	12/30/14	530,303	1,795,988
<b>Eagle Family Foods, Inc.</b>				
A producer of low-cost branded and private label canned milk.				
10.05% Last Out Term Loan due 06/30/2016	\$ 3,500,000	12/22/15	3,449,703	3,454,815
<b>ECG Consulting Group</b>				
A healthcare management consulting company who provides strategic, financial, operational, and technology related consulting services to healthcare providers.				
11.75% Senior Subordinated Note due 11/21/2020	\$ 2,651,855	11/21/14	2,602,119	2,704,892
Limited Liability Company Unit (B)	467 uts.	11/19/14	145,833	171,742
			<u>2,747,952</u>	<u>2,876,634</u>
<b>ERG Holding Company LLC</b>				
A provider of inpatient and outpatient clinical trial services to pharmaceutical companies and contract research organizations.				
13.5% Senior Subordinated Note due 10/04/2019	\$ 1,944,826	04/04/14	1,917,583	1,951,279
Common Stock (B)	63 shs.	04/04/14	157,314	169,911
			<u>2,074,897</u>	<u>2,121,190</u>
<b>F F C Holding Corporation</b>				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
Limited Liability Company Unit Preferred (B)	512 uts.	09/27/10	175,035	222,827
Limited Liability Company Unit Common (B)	512 uts.	09/27/10	51,220	309,899
			<u>226,255</u>	<u>532,726</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

March 31, 2016

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>F G I Equity LLC</b>				
A manufacturer of a broad range of filters and related products that are used in commercial, light industrial, healthcare, gas turbine, nuclear, laboratory, clean room, hotel, educational system, and food processing settings.				
Limited Liability Company Unit Preferred (B)	483,355 uts.	04/15/14	\$ -	\$ 483,355
Limited Liability Company Unit Class B-1 (B)	394,737 uts.	12/15/10	394,737	890,709
Limited Liability Company Unit Class B-2 (B)	49,488 uts.	12/15/10	49,488	111,668
Limited Liability Company Unit Class B-3 (B)	39,130 uts.	08/30/12	90,000	98,470
Limited Liability Company Unit Class C (B)	9,449 uts.	12/20/10	96,056	179,568
			<u>630,281</u>	<u>1,763,770</u>
<b>FMH Holdings Corporation</b>				
A designer and manufacturer of highly engineered components for the aerospace, defense and space industries.				
11.5% Senior Subordinated Note due 11/01/2020	\$ 2,929,728	05/01/15	2,879,107	2,988,323
Common Stock (B)	300 shs.	05/01/15	300,485	481,005
			<u>3,179,592</u>	<u>3,469,328</u>
<b>G C Holdings</b>				
A leading manufacturer of gaming tickets, industrial recording charts, security-enabled point-of sale receipts, and medical charts and supplies.				
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	594 shs.	10/19/10	140,875	354,755
<b>GD Dental Services LLC</b>				
A provider of convenient "onestop" general, specialty, and cosmetic dental services with 21 offices located throughout South and Central Florida.				
Limited Liability Company Unit Preferred (B)	182 uts.	10/05/12	182,209	228,002
Limited Liability Company Unit Common (B)	1,840 uts.	10/05/12	1,840	121,504
			<u>184,049</u>	<u>349,506</u>
<b>GenNx Novel Holding, Inc.</b>				
A manufacturer and distributor of nutraceutical ingredients.				
13% Senior Subordinated Note due 03/27/2020	\$ 3,242,125	03/27/14	3,194,586	3,079,824
Common Stock (B)	31,500 shs.	03/27/14	315,000	233,110
			<u>3,509,586</u>	<u>3,312,934</u>
<b>gloProfessional Holdings, Inc.</b>				
A marketer and distributor of premium mineral-based cosmetics, cosmeceuticals and professional hair care products to the professional spa and physician's office channels.				
14% Senior Subordinated Note due 03/27/2019	\$ 2,884,563	03/27/13	2,851,818	2,818,099
Common Stock (B)	2,835 shs.	03/27/13	283,465	274,891
			<u>3,135,283</u>	<u>3,092,990</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Glynlyon Holding Companies, Inc.</b>				
A technology-enabled curriculum provider of K-12 and support services predominantly to small and medium public school districts.				
12% Senior Subordinated Note due 01/15/2022	\$ 3,207,612	01/15/16	\$ 3,145,141	\$ 3,274,737
Common Stock (B)	299 shs.	01/15/16	299,145	252,051
			<u>3,444,286</u>	<u>3,526,788</u>
<b>GlynnDevins Acquisition Corporation</b>				
A marketing communications agency that service senior living facilities.				
13% Senior Subordinated Note due 12/19/2020	\$ 1,608,613	06/19/15	1,580,105	1,618,184
Preferred Stock Series A (B)	695 shs.	06/19/15	143,414	149,528
Common Stock (B)	695 shs.	06/19/15	5,976	2,046
			<u>1,729,495</u>	<u>1,769,758</u>
<b>Grakon Parent</b>				
The leading designer and manufacturer of highly-engineered and customized LED and incandescent lighting systems for transportation-based markets.				
Common Stock (B)	355 shs.	10/31/14	354,730	481,861
<b>GTI Holding Company</b>				
A designer, developer, and marketer of precision specialty hand tools and handheld test instruments.				
12% Senior Subordinated Note due 02/05/2020	\$ 1,455,729	02/05/14	1,380,707	1,382,633
Common Stock (B)	1,693 shs.	02/05/14	169,271	129,580
Warrant, exercisable until 2024, to purchase common stock at \$.01 per share (B)	795 shs.	02/05/14	73,633	60,848
			<u>1,623,611</u>	<u>1,573,061</u>
<b>Handi Quilter Holding Company</b>				
A designer and manufacturer of long-arm quilting machines and related components for the consumer quilting market.				
12% Senior Subordinated Note due 06/19/2021	\$ 2,916,667	12/19/14	2,866,483	2,893,278
Limited Liability Company Unit Preferred (B)	583 uts.	12/19/14	583,336	433,895
Limited Liability Company Unit Common Class A (B)	5,833 uts.	12/19/14	-	-
			<u>3,449,819</u>	<u>3,327,173</u>
<b>Hartland Controls Holding Corporation</b>				
A manufacturer and distributor of electronic and electromechanical components.				
14% Senior Subordinated Note due 08/14/2019	\$ 2,211,488	02/14/14	2,180,404	2,233,603
12% Senior Subordinated Note due 08/14/2019	\$ 875,000	06/22/15	867,599	881,499
Preferred Stock Series A (B)	2,452 shs.	02/14/14	231,326	258,275
Common Stock (B)	1,666 shs.	02/14/14	1,667	196,852
			<u>3,280,996</u>	<u>3,570,229</u>



**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Healthcare Direct Holding Company</b>				
A direct-to-consumer marketer of discount dental plans.				
Common Stock (B)	1,552 shs.	03/09/12	\$ 155,172	\$ 302,134
<b>HHI Group, LLC</b>				
A developer, marketer, and distributor of hobby-grade radio control products.				
14% Senior Subordinated Note due 01/17/2020	\$ 3,231,462	01/17/14	3,187,158	2,805,826
Limited Liability Company Unit (B)	203 uts.	01/17/14	203,125	11,833
			<u>3,390,283</u>	<u>2,817,659</u>
<b>Hi-Rel Group LLC</b>				
A manufacturer and distributor of precision metal piece parts for the microelectronic packaging industry, serving the aerospace/defense, telecommunications, and medical end markets.				
12% Senior Subordinated Note due 03/15/2018	\$ 1,687,500	04/15/13	1,632,911	1,686,342
Limited Liability Company Unit (B)	563 uts.	04/15/13	562,500	795,799
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	89,224 shs.	04/15/13	77,625	157,782
			<u>2,273,036</u>	<u>2,639,923</u>
<b>Hollandia Produce LLC</b>				
A hydroponic greenhouse producer of branded root vegetables.				
13.75% Senior Subordinated Note due 03/31/2021	\$ 2,643,247	12/30/15	2,592,679	2,697,787
<b>HOP Entertainment LLC</b>				
A provider of post production equipment and services to producers of television shows and motion pictures.				
Limited Liability Company Unit Class F (B)	89 uts.	10/14/11	-	-
Limited Liability Company Unit Class G (B)	215 uts.	10/14/11	-	-
Limited Liability Company Unit Class H (B)	89 uts.	10/14/11	-	-
Limited Liability Company Unit Class I (B)	89 uts.	10/14/11	-	-
			<u>-</u>	<u>-</u>
<b>Hospitality Mints Holding Company</b>				
A manufacturer of individually-wrapped imprinted promotional mints.				
12% Senior Subordinated Note due 08/19/2016	\$ 2,075,581	08/19/08	2,060,938	2,041,822
Common Stock (B)	474 shs.	08/19/08	474,419	66,495
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	123 shs.	08/19/08	113,773	17,187
			<u>2,649,130</u>	<u>2,125,504</u>
<b>HVAC Holdings, Inc.</b>				
A provider of integrated energy efficiency services and maintenance programs for HVAC systems.				
12.5% Senior Subordinated Note due 09/27/2019	\$ 2,885,692	09/27/12	2,851,706	2,885,692
Limited Liability Company Unit Class A Preferred (B)	2,705 uts.	09/27/12	270,542	377,362
Limited Liability Company Unit Class A Common (B)	2,185 uts.	09/27/12	2,185	130,797
			<u>3,124,433</u>	<u>3,393,851</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

March 31, 2016

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Ideal Tridon Holdings, Inc.</b>				
A designer and manufacturer of clamps and couplings used in automotive and industrial end markets.				
Common Stock	279 shs.	10/27/11	\$ 232,385	\$ 474,918
<b>Impact Confections</b>				
An independent manufacturer and marketer of confectionery products including Warheads® brand sour candies, Melster® brand classic candies, and co-manufactured/private label classic candies.				
13% Senior Subordinated Note due 11/10/2020	\$ 2,188,543	11/10/14	2,152,588	2,200,586
Common Stock (B)	4,667 shs.	11/10/14	466,667	381,376
			<u>2,619,255</u>	<u>2,581,962</u>
<b>Insurance Claims Management, Inc.</b>				
A third party administrator providing auto and property claim administration services for insurance companies.				
Common Stock (B)	89 shs.	02/27/07	2,689	279,859
<b>J A C Holding Enterprises, Inc.</b>				
A supplier of luggage racks and accessories to the original equipment manufacturers.				
Preferred Stock A (B)	495 shs.	12/20/10	495,000	923,231
Preferred Stock B (B)	0.17 shs.	12/20/10	-	311
Common Stock	100 shs.	12/20/10	5,000	190,396
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	36 shs.	12/20/10	316,931	346,898
			<u>816,931</u>	<u>1,460,836</u>
<b>Janus Group Holdings LLC</b>				
A manufacturer of roll-up doors and hallway systems that are primarily used in self-storage facilities.				
13.5% Senior Subordinated Note due 06/10/2019	\$ 2,214,946	12/11/13	2,185,269	2,237,095
Limited Liability Company Unit Class A (B)	565 uts.	12/11/13	1,223,588	1,963,773
			<u>3,408,857</u>	<u>4,200,868</u>
<b>JMH Investors LLC</b>				
A developer and manufacturer of custom formulations for a wide variety of foods.				
14.25% Senior Subordinated Note due 12/05/2019	\$ 2,670,060	12/05/12	2,637,930	2,321,201
Limited Liability Company Unit (B)	2,493,253 uts.	12/05/12	557,301	32,582
			<u>3,195,231</u>	<u>2,353,783</u>
<b>K &amp; N Parent, Inc.</b>				
A manufacturer and supplier of automotive aftermarket performance air filters and intake systems.				
Preferred Stock Series A	305 shs.	12/23/11	-	-
Preferred Stock Series B	86 shs.	12/23/11	-	-
Common Stock	489 shs.	*	19,565	490,817
			<u>19,565</u>	<u>490,817</u>

\* 12/23/11 and 06/30/14.

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>K N B Holdings Corporation</b>				
A designer, manufacturer and marketer of products for the custom framing market.				
Common Stock (B)	134,210 shs.	05/24/06	\$ 134,210	\$ 149,937
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	82,357 shs.	05/25/06	71,534	92,008
			<u>205,744</u>	<u>241,945</u>
<b>K P I Holdings, Inc.</b>				
The largest player in the U.S. non-automotive, non-ferrous die casting segment.				
Limited Liability Company Unit Class C Preferred (B)	75 uts.	06/30/15	-	137,531
Common Stock (B)	667 shs.	07/15/08	539,502	781,641
			<u>539,502</u>	<u>919,172</u>
<b>Kyjen Company</b>				
A designer and distributor of branded and private label dog toys and accessories primarily in the U.S.				
13% Senior Subordinated Note due 10/14/2021	\$ 2,637,118	10/14/15	2,587,375	2,663,028
<b>Mail Communications Group, Inc.</b>				
A provider of mail processing and handling services, lettershop services, and commercial printing services.				
Limited Liability Company Unit	24,109 uts.	*	314,464	308,668
Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)	3,375 shs.	05/04/07	43,031	43,210
			<u>357,495</u>	<u>351,878</u>
* 05/04/07 and 01/02/08.				
<b>Manhattan Beachwear Holding Company</b>				
A designer and distributor of women's swimwear.				
12.5% Senior Subordinated Note due 01/15/2018	\$ 1,259,914	01/15/10	1,205,887	1,205,952
15% Senior Subordinated Note due 01/15/2018	\$ 352,282	10/05/10	350,070	325,030
Common Stock (B)	106 shs.	10/05/10	106,200	11,823
Common Stock Class B (B)	353 shs.	01/15/10	352,941	39,292
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	312 shs.	10/05/10	283,738	34,773
			<u>2,298,836</u>	<u>1,616,870</u>
<b>Master Cutlery LLC</b>				
A designer and marketer of a wide assortment of knives and swords.				
13% Senior Subordinated Note due 04/17/2020	\$ 1,758,407	04/17/15	1,740,288	1,705,271
Limited Liability Company Unit	9 uts.	04/17/15	1,356,658	691,824
			<u>3,096,946</u>	<u>2,397,095</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>MC Sign Holdings LLC</b>				
A provider of sign and lighting services nationwide.				
11.75% Senior Subordinated Note due 09/15/2021	\$ 1,550,186	09/22/15	\$ 1,521,229	\$ 1,566,456
Limited Liability Company Unit Class B (B)	205,900 uts.	09/22/15	205,900	202,214
			<u>1,727,129</u>	<u>1,768,670</u>
<b>MedSystems Holdings LLC</b>				
A manufacturer of enteral feeding products, such as feeding tubes and other products related to assisted feeding.				
Preferred Unit (B)	126 uts.	08/29/08	87,177	192,392
Common Unit Class A (B)	1,268 uts.	08/29/08	1,268	543,796
Common Unit Class B (B)	497 uts.	08/29/08	120,064	213,328
			<u>208,509</u>	<u>949,516</u>
<b>Merex Holding Corporation</b>				
A provider of after-market spare parts and components, as well as Maintenance, Repair and Overhaul services for "out of production" or "legacy" aerospace and defense systems that are no longer effectively supported by the original equipment manufacturers.				
16% Senior Subordinated Note due 10/30/2019	\$ 1,362,886	09/22/11	1,347,188	1,323,709
15% Senior Subordinated Note due 04/30/2022	\$ 71,517	08/18/15	71,517	64,365
Limited Liability Company Unit Series A (B)	684 uts.	05/07/14	44,281	7,428
Limited Liability Company Unit Series B (B)	467,833 uts.	09/22/11	467,833	102,555
Common Stock Class A	5,578 shs.	08/18/15	-	60,548
			<u>1,930,819</u>	<u>1,558,605</u>
<b>MES Partners, Inc.</b>				
An industrial service business offering an array of cleaning and environmental services to the Gulf Coast region of the U.S.				
12% Senior Subordinated Note due 09/30/2021	\$ 2,228,593	09/30/14	2,191,234	2,262,658
Common Stock Class B (B)	445,455 shs.	09/30/14	445,455	354,990
			<u>2,636,689</u>	<u>2,617,648</u>
<b>MNX Holding Company</b>				
An international third party logistics company providing customized logistics services to customers across the globe.				
14% Senior Subordinated Note due 11/02/2019	\$ 3,096,756	11/02/12	3,060,157	3,096,756
Common Stock (B)	107 shs.	11/02/12	107,143	116,247
			<u>3,167,300</u>	<u>3,213,003</u>
<b>Money Mailer</b>				
A leading provider of hyperlocal shared direct mail advertising as well as interactive and online advertising solutions through its nationwide production and distribution network.				
Preferred Stock	2,704,364 shs.	12/10/14	2,663,799	2,704,364

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Motion Controls Holdings</b>				
A manufacturer of high performance mechanical motion control and linkage products.				
14.25% Senior Subordinated Note due 08/15/2020	\$ 2,988,310	11/30/10	\$ 2,963,409	\$ 2,988,310
Limited Liability Company Unit Class B-1 (B)	225,000 uts.	11/30/10	-	259,033
Limited Liability Company Unit Class B-2 (B)	20,403 uts.	11/30/10	-	23,489
			<u>2,963,409</u>	<u>3,270,832</u>
<b>NABCO, Inc.</b>				
A producer of explosive containment vessels in the United States.				
Common Stock (B)	809 shs.	12/20/12	578,174	111,113
<b>NetShape Technologies, Inc.</b>				
A manufacturer of powder metal and metal injection molded precision components used in industrial, consumer, and other applications.				
12% Senior Subordinated Note due 06/10/2020	\$ 1,530,000	02/02/07	1,528,882	713,113
Limited Partnership Interest of Saw Mill PCG Partners LLC (B)	2.73% int.	02/01/07	1,110,810	-
Limited Liability Company Unit Class D of Saw Mill PCG Partners LLC (B)	17 uts.	*	16,759	-
Limited Liability Company Unit Class D-1 of Saw Mill PCG Partners LLC (B)	229 uts.	09/30/09	228,858	-
Limited Liability Company Unit Class D-2 of Saw Mill PCG Partners LLC (B)	128 uts.	04/29/11	65,256	82,220
Limited Liability Company Unit Class D-3 of Saw Mill PCG Partners LLC (B)	196 uts.	12/10/14	196,263	198,811
* 12/18/08 and 09/30/09.			<u>3,146,828</u>	<u>994,144</u>
<b>Northwest Mailing Services, Inc.</b>				
A producer of promotional materials for companies that use direct mail as part of their customer retention and loyalty programs.				
Limited Partnership Interest (B)	3,287 uts.	*	328,679	371,589
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	4,920 shs.	*	492,016	556,250
* 07/09/09 and 08/09/10.			<u>820,695</u>	<u>927,839</u>
<b>O E C Holding Corporation</b>				
A provider of elevator maintenance, repair and modernization services.				
Preferred Stock Series A (B)	1,661 shs.	06/04/10	166,062	247,686
Preferred Stock Series B (B)	934 shs.	06/04/10	93,376	159,012
Common Stock (B)	1,032 shs.	06/04/10	1,032	63,101
			<u>260,470</u>	<u>469,799</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>PANOS Brands LLC</b>				
A marketer and distributor of branded consumer foods in the specialty, natural, better-for-you, "free from" healthy and gluten-free categories.				
12% Senior Subordinated Note due 07/29/2021	\$ 2,945,063	01/29/16	\$ 2,887,574	\$ 3,006,668
Common Stock Class A (B)	560,000 shs.	01/29/16	560,000	560,000
			<u>3,447,574</u>	<u>3,566,668</u>
<b>Pearlman Enterprises, Inc.</b>				
A developer and distributor of tools, equipment, and supplies to the natural and engineered stone industry.				
Preferred Stock Series A (B)	2,334 shs.	05/22/09	111,508	2,334,350
Preferred Stock Series B (B)	13,334 shs.	05/22/09	547,872	174,204
Common Stock (B)	40,540 shs.	05/22/09	1,877,208	-
			<u>2,536,588</u>	<u>2,508,554</u>
<b>Petroplex Inv Holdings LLC</b>				
A leading provider of acidizing services to E&P customers in the Permian Basin.				
Limited Liability Company Unit	375,000 uts.	11/29/12	375,000	-
<b>Polytex Holdings LLC</b>				
A manufacturer of water based inks and related products serving primarily the wall covering market.				
13% Senior Subordinated Note due 01/31/2020	\$ 2,138,701	07/31/14	2,106,353	2,067,401
Limited Liability Company Unit	300,485 uts.	07/31/14	300,485	229,450
			<u>2,406,838</u>	<u>2,296,851</u>
<b>Power Stop Holdings LLC</b>				
A supplier of performance upgrade aftermarket brake products.				
11% Senior Subordinated Note due 05/29/2022	\$ 3,266,800	05/29/15	3,208,763	3,329,808
Limited Liability Company Unit Preferred (B)	2,332 uts.	05/29/15	233,200	247,253
Limited Liability Company Unit Common (B)	2,332 uts.	05/29/15	-	95,421
			<u>3,441,963</u>	<u>3,672,482</u>
<b>PPC Event Services</b>				
A special event equipment rental business.				
14% Senior Subordinated Note due 05/20/2020	\$ 2,332,447	11/20/14	2,295,431	2,379,096
Limited Liability Company Unit (B)	7,000 uts.	11/20/14	350,000	787,500
Limited Liability Company Unit Series A-1 (B)	689 uts.	03/16/16	86,067	86,066
			<u>2,731,498</u>	<u>3,252,662</u>
<b>Randy's Worldwide Automotive</b>				
A designer and distributor of automotive aftermarket parts.				
11.5% Senior Subordinated Note due 05/12/2021	\$ 2,304,719	05/12/15	2,264,805	2,308,248
Common Stock (B)	240 shs.	05/12/15	240,388	272,854
			<u>2,505,193</u>	<u>2,581,102</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>REVSpring, Inc.</b>				
A provider of accounts receivable management and revenue cycle management services to customers in the healthcare, financial and utility industries.				
Limited Liability Company Unit Class A (B)	40,643 uts.	*	\$ 406,432	\$ 671,108
* 10/21/11 and 08/03/12.				
<b>Safety Infrastructure Solutions</b>				
A provider of trench safety equipment to a diverse customer base across multiple end markets in Texas and the Southwestern United States.				
Preferred Stock (B)	6,294 shs.	03/30/12	251,758	354,307
Common Stock (B)	2,949 shs.	03/30/12	29,492	462,338
			<u>281,250</u>	<u>816,645</u>
<b>Signature Systems Holdings Company</b>				
A seller and installer of a variety of modular surfaces, industrial matting and related products used for ground protection.				
Common Stock (B)	181 shs.	03/15/13	181,221	290,715
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	74 shs.	03/15/13	67,958	118,760
			<u>249,179</u>	<u>409,475</u>
<b>Smart Source Holdings LLC</b>				
A short-term computer rental company.				
Limited Liability Company Unit (B)	619 uts.	*	493,496	669,793
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	157 shs.	*	127,437	169,681
			<u>620,933</u>	<u>839,474</u>
* 08/31/07 and 03/06/08.				
<b>SMB Machinery Holdings, Inc.</b>				
A reseller of used, rebuilt and refurbished packaging and processing equipment, primarily serving the bottling and food manufacturing industries.				
14% Senior Subordinated Note due 10/18/2019 (D)	\$ 1,477,388	10/18/13	1,452,295	-
Common Stock (B)	1,681 shs.	10/18/13	168,100	-
			<u>1,620,395</u>	<u>-</u>
<b>Strahman Holdings Inc</b>				
A manufacturer of industrial valves and wash down equipment for a variety of industries, including chemical, petrochemical, polymer, pharmaceutical, food processing, beverage and mining.				
14% Senior Subordinated Note due 06/13/2019 (D)	\$ 2,119,565	12/13/13	2,086,788	2,140,761
Preferred Stock Series A (B)	317,935 shs.	12/13/13	317,935	569,104
Preferred Stock Series A-2 (B)	53,086 shs.	09/10/15	59,987	95,024
			<u>2,464,710</u>	<u>2,804,889</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Sunrise Windows Holding Company</b>				
A manufacturer and marketer of premium vinyl windows exclusively selling to the residential remodeling and replacement market.				
16% Senior Subordinated Note due 12/14/2017	\$ 3,801,585	*	\$ 3,733,069	\$ 3,421,427
Common Stock (B)	115 shs.	12/14/10	114,504	74,045
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	112 shs.	12/14/10	111,747	72,267
* 12/14/10, 08/17/12 and 03/31/16.			<u>3,959,320</u>	<u>3,567,739</u>
<b>Sunvair Aerospace Group Inc.</b>				
An aerospace maintenance, repair, and overhaul provider servicing landing gears on narrow body aircraft.				
12% Senior Subordinated Note due 07/31/2021	\$ 2,466,440	07/31/15	2,417,111	2,485,752
Common Stock (B)	139 shs.	07/31/15	158,560	149,757
			<u>2,575,671</u>	<u>2,635,509</u>
<b>Synteract Holdings Corporation</b>				
A provider of outsourced clinical trial management services to pharmaceutical and biotechnology companies.				
14% Senior Subordinated Note due 02/26/2019	\$ 4,402,212	09/02/08	4,324,529	4,402,212
Preferred Stock Series D (B)	485 shs.	02/27/13	48,503	-
Redeemable Preferred Stock Series A (B)	1,280 shs.	10/03/08	12,523	-
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	12,803 shs.	09/02/08	112,693	-
			<u>4,498,248</u>	<u>4,402,212</u>
<b>Team Drive-Away Holdings LLC</b>				
An asset-light provider of over the road driveaway services for class 8 trucks and specialized equipment.				
12.5% Senior Subordinated Note due 04/15/2021	\$ 1,555,600	10/15/15	1,526,351	1,572,395
Limited Liability Company Unit (B)	194,400 uts.	10/15/15	194,400	191,484
			<u>1,720,751</u>	<u>1,763,879</u>
<b>Torrent Group Holdings, Inc.</b>				
A contractor specializing in the sales and installation of engineered drywells for the retention and filtration of stormwater and nuisance water flow.				
3% Senior Subordinated Note due 12/31/2018 (D)	\$ 1,455,525	12/05/13	-	1,382,749
15% Senior Subordinated Note due 12/05/2020(D)	\$ 88,396	12/05/13	414,051	83,976
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	53,038 shs.	12/05/13	-	1,061
			<u>414,051</u>	<u>1,467,786</u>



**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

March 31, 2016

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Transpac Holding Company</b>				
A designer, importer and wholesaler of home décor and seasonal gift products.				
8% Senior Subordinated Note due 10/31/2016 (D)	\$ 1,773,006	10/31/07	\$ 1,717,521	\$ -
Common Stock (B)	209 shs.	10/31/07	208,589	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	94 shs.	10/31/07	87,607	-
			<u>2,013,717</u>	<u>-</u>
<b>Tranzonic Holdings LLC</b>				
A producer of commercial and industrial supplies, such as safety products, janitorial supplies, work apparel, washroom and restroom supplies and sanitary care products.				
14% Senior Subordinated Note due 07/05/2019	\$ 3,120,306	07/05/13	3,082,113	3,120,306
Limited Liability Company Unit Preferred Class A (B)	295,455 uts.	07/05/13	295,455	403,856
			<u>3,377,568</u>	<u>3,524,162</u>
<b>Tristar Global Energy Solutions, Inc.</b>				
A hydrocarbon and decontamination services provider serving refineries worldwide.				
12.5% Senior Subordinated Note due 07/31/2020	\$ 2,294,018	01/23/15	2,255,476	2,115,137
<b>Veritext Corporation</b>				
A provider of stenographic staffing and other services used during the legal deposition process.				
10.75% Second Lien Term Loan due 01/29/2023	\$ 3,500,000	01/21/16	3,431,725	3,437,597
<b>Vitex Packaging Group, Inc.</b>				
A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags.				
Class B Unit (B)	767,881 uts.	10/29/09	348,058	-
Class C Unit (B)	850,000 uts.	10/29/09	780,572	244,344
Limited Liability Company Unit Class A (B)	723,465 uts.	*	433,222	-
Limited Liability Company Unit Class B (B)	182,935 uts.	07/19/04	182,935	-
			<u>1,744,787</u>	<u>244,344</u>
* 07/19/04 and 10/29/09.				
<b>VP Holding Company</b>				
A provider of school transportation services for special-needs and homeless children in Massachusetts.				
Common Stock (B)	7,368 shs.	03/31/14	736,842	1,149,496
<b>Wellborn Forest Holding Company</b>				
A manufacturer of semi-custom kitchen and bath cabinetry.				
8% Senior Subordinated Note due 09/30/2017 (D)	\$ 3,175,092	11/30/06	1,638,669	2,381,319
Common Stock (B)	191 shs.	11/30/06	191,250	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	95 shs.	11/30/06	86,493	-
			<u>1,916,412</u>	<u>2,381,319</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Westminster Acquisition LLC</b>				
A manufacturer of premium, all-natural oyster cracker products sold under the Westminster and Olde Cape Cod brands.				
12% Senior Subordinated Note due 02/03/2021	\$ 756,168	08/03/15	\$ 742,650	\$ 759,754
Limited Liability Company Unit (B)	751,212 uts.	08/03/15	751,212	1,039,976
			<u>1,493,862</u>	<u>1,799,730</u>
<b>Whitcraft Holdings, Inc.</b>				
A leading independent manufacturer of precision formed, machined, and fabricated flight-critical aerospace components.				
Common Stock (B)	616 shs.	12/16/10	616,438	607,186
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	166 shs.	12/16/10	148,003	163,153
			<u>764,441</u>	<u>770,339</u>
<b>Wolf-Gordon, Inc.</b>				
A designer and specialty distributor of wallcoverings and related building products, including textiles, paint, and writeable surfaces.				
12.5% Senior Subordinated Note due 07/22/2021	\$ 3,190,966	01/22/16	3,128,883	3,229,223
Common Stock (B)	318 shs.	01/22/16	318,182	285,111
			<u>3,447,065</u>	<u>3,514,334</u>
<b>WP Supply Holding Corporation</b>				
A distributor of fresh fruits and vegetables to grocery wholesalers and foodservice distributors in the upper Midwest.				
14.5% Senior Subordinated Note due 06/12/2020	\$ 2,846,336	11/03/11	2,821,190	2,846,336
Common Stock	4,500 shs.	11/03/11	450,000	655,079
			<u>3,271,190</u>	<u>3,501,415</u>
<b>York Wall Holding Company</b>				
A designer, manufacturer and marketer of wall covering products for both residential and commercial wall coverings.				
12.5% Senior Subordinated Note due 03/04/2021	\$ 3,178,320	03/04/15	3,123,788	2,980,512
Common Stock (B)	3,723 shs.	03/04/15	372,300	215,931
			<u>3,496,088</u>	<u>3,196,443</u>
<b>Total Private Placement Investments (E)</b>			<u>\$ 205,671,979</u>	<u>\$ 211,077,681</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Interest Rate	Due Date	Principal Amount	Cost	Market Value
<b>Rule 144A Securities - 18.07%:</b>					
<b>Bonds - 18.07%</b>					
Alere Inc.	6.375%	07/01/23	\$ 1,175,000	\$ 1,191,955	\$ 1,233,750
Altice S.A.	7.750	05/15/22	1,000,000	1,000,000	984,080
Amsted Industries	5.375	09/15/24	520,000	520,000	499,850
Anixter, Inc.	5.500	03/01/23	1,000,000	1,000,000	1,012,500
Belden Inc.	5.250	07/15/24	410,000	410,000	391,550
Beverage Packaging Holdings	6.000	06/15/17	730,000	730,000	724,069
Boyd Gaming Corporation	6.375	04/01/26	197,000	197,000	204,388
Brunswick Corporation	4.625	05/15/21	1,000,000	1,009,577	1,007,500
CCOH Safari, LLC	5.750	02/15/26	1,000,000	1,000,000	1,035,000
CITGO Petroleum Corporation	6.250	08/15/22	925,000	925,000	892,625
Commscope Holdings Inc.	6.625	06/01/20	500,000	500,810	512,500
Consolidated Energy Finance S.A.	6.750	10/15/19	1,000,000	989,849	952,499
Constellium N.V.	7.875	04/01/21	743,000	743,000	742,354
Cornerstone Chemical Company	9.375	03/15/18	750,000	759,108	699,375
Coveris Holdings S.A.	7.875	11/01/19	1,000,000	1,000,000	895,000
CTP Transportation Products, LLC	8.250	12/15/19	635,000	635,000	625,475
Dean Foods	6.500	03/15/23	663,000	663,000	682,061
Endo Finance LLC	5.375	01/31/23	1,000,000	981,762	952,500
Family Tree Escrow, LLC	5.750	03/01/23	1,000,000	1,028,875	1,060,000
First Data Corporation	5.000	01/15/24	834,000	834,000	835,043
Gates Global LLC	6.000	07/15/22	1,000,000	769,092	855,000
Harron Communications, L.P.	9.125	04/01/20	500,000	535,451	522,815
HD Supply, Inc.	5.250	12/15/21	265,000	265,000	278,250
Hilcorp Energy Company	5.000	12/01/24	500,000	500,000	421,250
Hill-Rom Holdings, Inc.	5.750	09/01/23	385,000	385,000	398,475
H.J. Heinz Company	4.875	02/15/25	419,000	419,000	461,595
Hub International Ltd.	7.875	10/01/21	1,000,000	1,000,000	985,000
INEOS Group Holdings PLC	5.875	02/01/19	485,000	485,000	488,638
Infor (US), Inc.	5.750	08/15/20	226,000	223,971	232,780
International Automotive Component	9.125	06/01/18	1,000,000	976,115	900,000
International Wire Group	8.500	10/15/17	500,000	514,385	498,125
J.B. Poindexter Co., Inc.	9.000	04/01/22	1,000,000	1,040,419	1,047,500
JBS USA Holdings, Inc.	7.750	10/28/20	750,000	779,733	742,500
Jupiter Resources Inc.	8.500	10/01/22	1,000,000	948,188	530,000
Jurassic Holdings III Inc	6.875	02/15/21	328,000	328,878	226,584
KeHE Distributors, LLC	7.625	08/15/21	1,000,000	1,052,165	957,500
LBC Tank Terminals Holding Netherlands B.V.	6.875	05/15/23	1,315,000	1,348,673	1,222,950
Mallinckrodt PLC	5.750	08/01/22	1,000,000	1,000,000	921,250
Micron Technology, Inc.	5.250	08/01/23	1,000,000	1,000,000	817,500

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

March 31, 2016

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Interest Rate	Due Date	Shares or Principal Amount	Cost	Market Value
Milacron Financial	7.750%	02/15/21	\$ 500,000	\$ 500,000	\$ 460,000
Moog Inc.	5.250	12/01/22	1,000,000	1,007,002	1,001,250
MPLX LP	4.875	12/01/24	1,000,000	1,000,000	923,237
Mustang Merger Corporation	8.500	08/15/21	1,000,000	998,055	1,032,500
Onex Corporation	8.500	10/01/22	352,000	352,000	225,280
OPE KAG Finance Sub	7.875	07/31/23	1,750,000	1,820,650	1,745,624
Paragon Offshore plc. (D)	6.750	07/15/22	1,000,000	351,422	262,500
Pinnacle Operating Corporation	9.000	11/15/20	1,000,000	1,033,984	862,500
Prestige Brands Holdings, Inc.	5.375	12/15/21	1,350,000	1,350,000	1,366,875
Sabre GBLB Inc.	5.375	04/15/23	1,000,000	988,573	1,026,250
Sabre GBLB Inc.	5.250	11/15/23	251,000	251,000	255,367
Safway Group Holding LLC/Finance Corporation	7.000	05/15/18	500,000	500,000	501,250
Sirius XM Radio Inc.	5.875	10/01/20	750,000	750,000	783,638
Sirius XM Radio Inc.	5.375	04/15/25	250,000	250,000	254,375
Surgical Care Affiliates, Inc.	6.000	04/01/23	918,000	918,000	924,885
TeamHealth Holdings Inc	7.250	12/15/23	235,000	235,000	251,450
Teine Energy Ltd.	6.875	09/30/22	900,000	893,871	801,000
Topaz Marine S.A.	8.625	11/01/18	1,000,000	1,000,000	905,000
Unitymedia KabelBW GmbH	6.125	01/15/25	1,000,000	1,000,000	1,039,380
Univision Communications, Inc.	5.125	05/15/23	325,000	325,000	323,375
Univision Communications, Inc.	5.125	02/15/25	860,000	870,848	849,250
UPCB Finance IV Limited	5.375	01/15/25	425,000	425,000	430,313
Valeant Pharmaceuticals International	7.000	10/01/20	880,000	881,075	739,200
Virgin Media Secured Finance PLC	5.250	01/15/26	1,000,000	1,008,114	1,000,000
VRX Escrow Corp.	6.125	04/15/25	782,000	782,000	602,140
Watco Companies, L.L.C.	6.375	04/01/23	1,000,000	1,000,000	975,000
Welltec A/S	8.000	02/01/19	750,000	742,533	680,625
West Corporation	5.375	07/15/22	1,000,000	983,492	917,300
Western Digital Corporation	10.500	04/01/24	494,000	494,000	495,235
XPO Logistics, Inc.	7.875	09/01/19	933,000	953,745	965,655
<b>Total Bonds</b>				<b>53,355,370</b>	<b>51,050,285</b>
<b>Common Stock - 0.00%</b>					
TherOX, Inc. (B)			103	-	-
Touchstone Health Partnership (B)			1,168	-	-
<b>Total Common Stock</b>				<b>-</b>	<b>-</b>
<b>Total Rule 144A Securities</b>				<b>53,355,370</b>	<b>51,050,285</b>
<b>Total Corporate Restricted Securities</b>				<b>\$ 259,027,349</b>	<b>\$ 262,127,966</b>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Corporate Public Securities - 12.93%: (A)	Interest Rate	Maturity Date	Principal Amount	Cost	Market Value
<b>Bank Loans - 0.77%</b>					
Ascent Resource - Marcellus LLC	8.500%	07/09/21	\$ 209,882	\$ 207,472	\$ 8,045
Aquilex Holdings LLC	6.500	12/31/20	291,963	291,463	270,066
Caelus Energy Alaska, LLC	8.750	04/15/20	1,000,000	992,959	425,000
Fieldwood Energy LLC	8.375	09/30/20	1,000,000	421,872	173,750
Seadrill Partners Finco, LLC	4.000	02/21/21	997,449	386,551	438,878
Synarc-BioCore Holdings, LLC	9.250	03/04/22	1,000,000	992,541	860,000
<b>Total Bank Loans</b>				<b>3,292,858</b>	<b>2,175,739</b>
<b>Bonds - 11.75%</b>					
Accuride Corp	9.500	08/01/18	1,500,000	1,519,026	1,380,000
Anixter, Inc.	5.125	10/01/21	421,000	421,000	423,105
Antero Resources Corporation	5.375	11/01/21	800,000	800,000	740,000
Bonanza Creek Energy, Inc.	5.750	02/01/23	1,000,000	1,000,000	265,000
Calpine Corporation	5.750	01/15/25	700,000	700,000	672,000
Calumet Specialty Products Partners L.P.	7.625	01/15/22	1,000,000	999,525	707,500
Clearwater Paper Corporation	4.500	02/01/23	750,000	744,432	715,312
Commercial Metals Company	4.875	05/15/23	1,500,000	1,502,397	1,327,500
Commercial Vehicle Group Inc.	7.875	04/15/19	930,000	946,371	781,200
CPI International, Inc.	8.750	02/15/18	400,000	400,798	391,000
CVR Refining LLC	6.500	11/01/22	650,000	632,254	575,250
D.R. Horton, Inc.	4.000	02/15/20	1,000,000	1,000,000	1,030,000
EP Energy Corporation	9.375	05/01/20	819,000	356,404	413,082
Ferrellgas Partners, L.P.	6.750	01/15/22	465,000	465,000	412,687
Ferrellgas Partners, L.P.	8.625	06/15/20	1,048,000	1,049,169	969,400
Forum Energy Technologies	6.250	10/01/21	325,000	325,000	279,500
HCA Holdings, Inc.	5.375	02/01/25	150,000	152,536	151,641
HealthSouth Corporation	5.750	11/01/24	893,000	902,470	904,609
Hornbeck Offshore Services, Inc.	1.500	09/01/19	1,000,000	515,000	593,125
Icahn Enterprises L.P.	6.000	08/01/20	1,150,000	1,166,125	1,118,375
Kindred Healthcare, Inc.	8.750	01/15/23	1,000,000	1,000,000	957,500
Lamar Media Corp.	5.375	01/15/24	320,000	320,000	333,696
Lear Corporation	4.750	01/15/23	750,000	738,811	770,625
Lennar Corporation	4.500	11/15/19	250,000	250,402	260,000
Lennar Corporation	4.750	11/15/22	750,000	741,413	751,875
M/I Homes, Inc.	6.750	01/15/21	914,000	914,000	898,005
Memorial Production Partners LP	6.875	08/01/22	1,000,000	986,793	270,000
Meritor, Inc.	6.750	06/15/21	1,000,000	1,000,000	927,500
Meritor, Inc.	7.875	03/01/26	669,000	663,403	775,622
Netflix, Inc.	5.500	02/15/22	605,000	605,000	633,399
Nielsen Finance LLC	4.500	10/01/20	1,000,000	1,000,000	1,022,500

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

March 31, 2016

(Unaudited)

Corporate Public Securities: (A) (Continued)	Interest Rate	Maturity Date	Shares or Principal Amount	Cost	Market Value
NRG Energy, Inc.	6.250%	07/15/22	\$ 1,000,000	\$ 1,000,000	\$ 930,000
Oasis Petroleum Inc.	6.875	03/15/22	1,000,000	1,000,000	740,000
Omnova Solutions, Inc.	7.875	11/01/18	900,000	908,243	891,000
Orbital ATK Inc.	5.250	10/01/21	1,000,000	1,000,000	1,037,500
Perry Ellis International, Inc.	7.875	04/01/19	250,000	248,692	251,250
P.H. Glatfelter Company	5.375	10/15/20	1,000,000	1,009,193	985,000
Ply Gem Industries, Inc.	6.500	02/01/22	1,000,000	941,735	980,000
Precision Drilling Corporation	6.625	11/15/20	750,000	764,410	600,000
Sanchez Energy Corporation	6.125	01/15/23	1,000,000	700,752	540,000
Select Medical Corporation	6.375	06/01/21	650,000	657,368	614,250
Sprint Corporation	7.125	06/15/24	315,000	315,000	233,888
Tenet Healthcare Corporation	6.750	06/15/23	725,000	721,633	694,188
Suburban Propane Partners, L.P.	5.750	03/01/25	1,000,000	1,000,000	955,000
William Lyon Homes	7.000	08/15/22	1,000,000	1,000,000	960,000
WPX Energy, Inc.	5.250	09/15/24	925,000	925,000	642,875
Xerium Technologies, Inc.	8.875	06/15/18	831,000	852,380	685,575
<b>Total Bonds</b>				<b><u>36,861,735</u></b>	<b><u>33,191,534</u></b>
<b>Common Stock - 0.41%</b>					
Chase Packaging Corporation			9,541	-	286
Nortek, Inc.			175	1	8,451
Supreme Industries, Inc. (B)			131,371	267,319	1,161,320
<b>Total Common Stock</b>				<b><u>267,320</u></b>	<b><u>1,170,057</u></b>
<b>Total Corporate Public Securities</b>				<b><u>\$ 40,421,913</u></b>	<b><u>\$ 36,537,330</u></b>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Short-Term Securities:	Interest Rate/Yield <sup>^</sup>	Maturity Date	Principal Amount	Cost	Market Value
<b>Commercial Paper - 1.48%</b>					
Ryder System, Inc.	0.800%	04/05/16	\$ 175,000	\$ 174,984	\$ 174,984
South Carolina Electric & Gas Company	0.740	04/08/16	4,000,000	<u>3,999,424</u>	<u>3,999,424</u>
<b>Total Short-Term Securities</b>				<b><u>\$ 4,174,408</u></b>	<b><u>\$ 4,174,408</u></b>
<b>Total Investments</b>	<b>107.17%</b>			<b><u>\$ 303,623,670</u></b>	<b><u>\$ 302,839,704</u></b>
Other Assets	4.59				12,982,776
Liabilities	<u>(11.76)</u>				<u>(33,234,367)</u>
<b>Total Net Assets</b>	<b><u>100.00%</u></b>				<b><u>\$ 282,588,113</u></b>

(A) In each of the convertible note, warrant, convertible preferred and common stock investments, the issuer has agreed to provide certain registration rights.

(B) Non-income producing security.

(C) Security valued at fair value using methods determined in good faith by or under the direction of the Board of Trustees.

(D) Defaulted security; interest not accrued.

(E) Illiquid securities. As of March 31, 2016, the value of these securities amounted to \$211,077,681 or 74.69% of net assets.

<sup>^</sup> Effective yield at purchase

PIK - Payment-in-kind





**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Industry Classification: (Continued)	Fair Value/ Market Value		Fair Value/ Market Value
Kyjen Company	\$ 2,663,028	Onex Corporation	\$ 225,280
Manhattan Beachwear Holding Company	1,616,870	Ryder System, Inc.	174,984
Master Cutlery LLC	2,397,095		<u>1,665,123</u>
Perry Ellis International, Inc.	251,250	<b>FOOD &amp; BEVERAGE - 10.98%</b>	
Prestige Brands Holdings, Inc.	1,366,875	1492 Acquisition LLC	2,250,100
Transpac Holding Company	-	Dean Foods	682,061
York Wall Holding Company	3,196,443	Eagle Family Foods, Inc.	3,454,815
	<u>28,497,338</u>	F F C Holding Corporation	532,726
<b>DIVERSIFIED MANUFACTURING - 7.27%</b>		GenNx Novel Holding, Inc.	3,312,934
ABC Industries, Inc.	1,088,179	H.J. Heinz Company	461,595
Advanced Manufacturing Enterprises LLC	18,664	Hollandia Produce LLC	2,697,787
Airxcel Holdings	3,619,027	Hospitality Mints Holding Company	2,125,504
Amsted Industries	499,850	Impact Confections	2,581,962
Belden Inc.	391,550	JBS USA Holdings, Inc.	742,500
BP SCI LLC	909,414	JMH Investors LLC	2,353,783
CTP Transportation Products, LLC	625,475	KeHE Distributors, LLC	957,500
Custom Engineered Wheels, Inc.	1,259,655	PANOS Brands LLC	3,566,668
F G I Equity LLC	1,763,770	Westminster Acquisition LLC	1,799,730
Forum Energy Technologies	279,500	WP Supply Holding Corporation	3,501,415
G C Holdings	354,755		<u>31,021,080</u>
Ideal Tridon Holdings, Inc.	474,918	<b>GAMING - 1.30%</b>	
K P I Holdings, Inc.	919,172	Boyd Gaming Corporation	204,388
Motion Controls Holdings	3,270,832	CTM Holding, Inc.	3,472,009
NABCO, Inc.	111,113		<u>3,676,397</u>
NetShape Technologies, Inc.	994,144	<b>HEALTHCARE - 6.09%</b>	
Strahman Holdings Inc	2,804,889	Alere Inc.	1,233,750
Supreme Industries, Inc.	1,161,320	ECG Consulting Group	2,876,634
	<u>20,546,227</u>	GD Dental Services LLC	349,506
<b>ELECTRIC - 1.98%</b>		HCA Holdings, Inc.	151,641
Calpine Corporation	672,000	Healthcare Direct Holding Company	302,134
NRG Energy, Inc.	930,000	HealthSouth Corporation	904,609
South Carolina Electric & Gas Company	3,999,424	Hill-Rom Holdings, Inc.	398,475
	<u>5,601,424</u>	Kindred Healthcare, Inc.	957,500
<b>ENERGY - 0.15%</b>		MedSystems Holdings LLC	949,516
Ascent Resource - Marcellus LLC	8,045	Select Medical Corporation	614,250
Caelus Energy Alaska, LLC	425,000	Surgical Care Affiliates, Inc.	924,885
	<u>433,045</u>	Synarc-BioCore Holdings, LLC	860,000
<b>FINANCIAL OTHER - 0.59%</b>		Synteract Holdings Corporation	4,402,212
Hub International Ltd.	985,000	TeamHealth Holdings Inc	251,450
Insurance Claims Management, Inc.	279,859	Tenet Healthcare Corporation	694,188

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

March 31, 2016

(Unaudited)

Industry Classification: (Continued)	Fair Value/ Market Value	Fair Value/ Market Value
TherOX, Inc.	\$ -	\$ 3,524,162
Touchstone Health Partnership	-	<u>28,017,161</u>
Valeant Pharmaceuticals International	739,200	
VRX Escrow Corp.	<u>602,140</u>	
	<u>17,212,090</u>	
<b>HOME CONSTRUCTION - 1.38%</b>		
D.R. Horton, Inc.	1,030,000	
Lennar Corporation	1,011,875	
M/I Homes, Inc.	898,005	
William Lyon Homes	<u>960,000</u>	
	<u>3,899,880</u>	
<b>INDEPENDENT - 1.06%</b>		
Antero Resources Corporation	740,000	
EP Energy Corporation	413,082	
Fieldwood Energy LLC	173,750	
Jupiter Resources Inc.	530,000	
Precision Drilling Corporation	600,000	
Sanchez Energy Corporation	<u>540,000</u>	
	<u>2,996,832</u>	
<b>INDUSTRIAL OTHER - 9.92%</b>		
Advanced Technologies Holdings	658,544	
AFC - Dell Holding Corporation	2,698,669	
Aquilex Holdings LLC	270,066	
Brunswick Corporation	1,007,500	
Clough, Harbour and Associates	1,270,357	
Connecticut Electric, Inc.	2,144,325	
Hartland Controls Holding Corporation	3,570,229	
Hi-Rel Group LLC	2,639,923	
HVAC Holdings, Inc.	3,393,851	
International Wire Group	498,125	
Mail Communications Group, Inc.	351,878	
MC Sign Holdings LLC	1,768,670	
Milacron Financial	460,000	
Nielsen Finance LLC	1,022,500	
Northwest Mailing Services, Inc.	927,839	
O E C Holding Corporation	469,799	
Safway Group Holding LLC/Finance Corporation	501,250	
Smart Source Holdings LLC	839,474	
SMB Machinery Holdings, Inc.	-	
Tranzonic Holdings LLC		<u>\$ 3,524,162</u>
		<u>28,017,161</u>
<b>MEDIA &amp; ENTERTAINMENT - 3.90%</b>		
BlueSpire Holding, Inc.		3,361,321
GlynnDevins Acquisition Corporation		1,769,758
HOP Entertainment LLC		-
Lamar Media Corp.		333,696
Money Mailer		2,704,364
Netflix, Inc.		633,399
Sirius XM Radio Inc.		1,038,013
Univision Communications, Inc.		<u>1,172,625</u>
		<u>11,013,176</u>
<b>METALS &amp; MINING - 0.73%</b>		
Commercial Metals Company		1,327,500
Constellium N.V.		<u>742,354</u>
		<u>2,069,854</u>
<b>MIDSTREAM - 1.03%</b>		
CVR Refining LLC		575,250
Ferrellgas Partners, L.P.		1,382,087
Suburban Propane Partners, L.P.		<u>955,000</u>
		<u>2,912,337</u>
<b>OIL FIELD SERVICES - 2.04%</b>		
Avantech Testing Services LLC		-
Bonanza Creek Energy, Inc.		265,000
Hilcorp Energy Company		421,250
Hornbeck Offshore Services, Inc.		593,125
Memorial Production Partners LP		270,000
Oasis Petroleum Inc.		740,000
Petroplex Inv Holdings LLC		-
Seadrill Partners Finco, LLC		438,878
Teine Energy Ltd.		801,000
Topaz Marine S.A.		905,000
Welltec A/S		680,625
WPX Energy, Inc.		<u>642,875</u>
		<u>5,757,753</u>
<b>PACKAGING - 1.59%</b>		
ASC Holdings, Inc.		1,604,123
Beverage Packaging Holdings		724,069
Chase Packaging Corporation		286

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****March 31, 2016****(Unaudited)**

Industry Classification: (Continued)	Fair Value/ Market Value		Fair Value/ Market Value
Coveris Holdings S.A.	\$ 895,000	<b>RETAILERS - 0.47%</b>	
Mustang Merger Corporation	1,032,500	Family Tree Escrow, LLC	\$ 1,060,000
Vitex Packaging Group, Inc.	<u>244,344</u>	HD Supply, Inc.	<u>278,250</u>
	<u>4,500,322</u>		<u>1,338,250</u>
<b>PAPER - 1.48%</b>		<b>TECHNOLOGY - 4.69%</b>	
Clearwater Paper Corporation	715,312	Anixter, Inc.	1,435,605
Dunn Paper	1,795,988	Commscope Holdings Inc.	512,500
P.H. Glatfelter Company	985,000	First Data Corporation	835,043
Xerium Technologies, Inc.	<u>685,575</u>	Glynlyon Holding Companies, Inc.	3,526,788
	<u>4,181,875</u>	Infor (US), Inc.	232,780
<b>PHARMACEUTICALS - 2.64%</b>		Micron Technology, Inc.	817,500
Clarion Brands Holding Corp.	3,459,973	REVSpring, Inc.	671,108
Endo Finance LLC	952,500	Sabre GBLB Inc.	1,281,617
ERG Holding Company LLC	2,121,190	Veritext Corporation	3,437,597
Mallinckrodt PLC	<u>921,250</u>	Western Digital Corporation	<u>495,235</u>
	<u>7,454,913</u>		<u>13,245,773</u>
<b>REFINING - 2.66%</b>		<b>TRANSPORTATION SERVICES - 3.13%</b>	
Calumet Specialty Products Partners L.P.	707,500	MNX Holding Company	3,213,003
CITGO Petroleum Corporation	892,625	OPE KAG Finance Sub	1,745,624
MES Partners, Inc.	2,617,648	Team Drive-Away Holdings LLC	1,763,879
MPLX LP	923,237	VP Holding Company	1,149,496
Paragon Offshore plc.	262,500	Watco Companies, L.L.C.	<u>975,000</u>
Tristar Global Energy Solutions, Inc.	<u>2,115,137</u>		<u>8,847,002</u>
	<u>7,518,647</u>	<b>WIRELESS - 0.08%</b>	
		Sprint Corporation	<u>233,888</u>
		<b>Total Investments - 107.17%</b>	<b><u>\$302,839,704</u></b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 1. History

Babson Capital Corporate Investors (the "Trust") commenced operations in 1971 as a Delaware corporation. Pursuant to an Agreement and Plan of Reorganization dated November 14, 1985, approved by shareholders, the Trust was reorganized as a Massachusetts business trust under the laws of the Commonwealth of Massachusetts, effective November 28, 1985.

The Trust is a diversified closed-end management investment company. Babson Capital Management LLC ("Babson Capital"), a wholly-owned indirect subsidiary of Massachusetts Mutual Life Insurance Company ("MassMutual"), acts as its investment adviser. The Trust's investment objective is to maintain a portfolio of securities providing a current yield and at the same time offering an opportunity for capital gains. The Trust's principal investments are privately placed, below-investment grade, long-term debt obligations. Such direct placement securities may, in some cases, be accompanied by equity features such as common stock, warrants, conversion rights, or other equity features and, occasionally, preferred stocks. The Trust typically purchases these investments, which are not publicly tradable, directly from their issuers in private placement transactions. These investments are typically mezzanine debt instruments with accompanying private equity securities made to small or middle market companies. In addition, the Trust may invest, subject to certain limitations, in marketable investment grade debt securities, other marketable debt (including high yield securities) and marketable common stocks. Below-investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest and repay capital.

On January 27, 1998, the Board of Trustees authorized the formation of a wholly-owned subsidiary of the Trust ("CI Subsidiary Trust") for the purpose of holding certain investments. The results of CI Subsidiary Trust are consolidated in the accompanying financial statements. Footnote 2.D below discusses the Federal tax consequences of the CI Subsidiary Trust.

## 2. Significant Accounting Policies

The following is a summary of significant accounting policies followed consistently by the Trust in the preparation of its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Trustees have determined that the Trust is an investment company in accordance with Accounting Standards Codification ("ASC") 946, *Financial Services—Investment Companies*, for the purpose of financial reporting.

### A. Fair Value Measurements:

Under U.S. GAAP, fair value represents the price that should be received to sell an asset (exit price) in an orderly transaction between willing market participants at the measurement date.

## Determination of Fair Value

The determination of the fair value of the Trust's investments is the responsibility of the Trust's Board of Trustees (the "Trustees"). The Trustees have adopted procedures for the valuation of the Trust's securities and has delegated responsibility for applying those procedures to Babson Capital. Babson Capital has established a Pricing Committee which is responsible for setting the guidelines used in following the procedures adopted by the Trustees and ensuring that those guidelines are being followed. Babson Capital considers all relevant factors that are reasonably available, through either public information or information directly available to Babson Capital, when determining the fair value of a security. The Trustees meet at least once each quarter to approve the value of the Trust's portfolio securities as of the close of business on the last business day of the preceding quarter. This valuation requires the approval of a majority of the Trustees of the Trust, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital. In approving valuations, the Trustees will consider reports by Babson Capital analyzing each portfolio security in accordance with the procedures and guidelines referred to above, which include the relevant factors referred to below. Babson Capital has agreed to provide such reports to the Trust at least quarterly. The consolidated financial statements include private placement restricted securities valued at \$211,077,681 (74.69% of net assets) as of March 31, 2016 whose values have been estimated by the Trustees based on the process described above in the absence of readily ascertainable market values. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Following is a description of valuation methodologies used for assets recorded at fair value:

### Corporate Public Securities – Corporate Bonds, Preferred Stocks and Common Stocks

The Trust uses external independent third-party pricing services to determine the fair values of its Corporate Public Securities. At March 31, 2016, 100% of the carrying value of these investments was from external pricing services. In the event that the primary pricing service does not provide a price, the Trust utilizes the pricing provided by a secondary pricing service.

Public debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Trust's pricing services use multiple valuation techniques to determine fair value. In instances where significant market activity exists, the pricing services may utilize a market based approach through which quotes from market makers are used to determine fair value. In instances where significant market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(Unaudited)**

option adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal underlying prepayments, collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

The Trust's investments in bank loans are normally valued at the bid quotation obtained from dealers in loans by an independent pricing service in accordance with the Trust's valuation policies and procedures approved by the Trustees.

Public equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sales price of that day.

Annually, Babson Capital conducts reviews of the primary pricing vendors to validate that the inputs used in that vendors' pricing process are deemed to be market observable as defined in the standard. While Babson Capital is not provided access to proprietary models of the vendors, the reviews have included on-site walk-throughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. The review also includes an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations, a process Babson Capital continues to perform annually. In addition, the pricing vendors have an established challenge process in place for all security valuations, which facilitates identification and resolution of prices that fall outside expected ranges. Babson Capital believes that the prices received from the pricing vendors are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

**Corporate Restricted Securities – Corporate Bonds**

The fair value of certain notes is determined using an internal model that discounts the anticipated cash flows of those notes using a specific discount rate. Changes to that discount rate are driven by changes in general interest rates, probabilities of default and credit adjustments. The discount

rate used within the models to discount the future anticipated cash flows is considered a significant unobservable input. Significant increases/(decreases) in the discount rate would result in a significant (decrease)/increase to the notes' fair value.

The fair value of certain distressed notes is based on an enterprise waterfall methodology which is discussed in the equity security valuation section below.

**Corporate Restricted Securities – Common Stock, Preferred Stock and Partnerships & LLC's**

The fair value of equity securities is determined using an enterprise waterfall methodology. Under this methodology, the enterprise value of the company is first estimated and that value is then allocated to the company's outstanding debt and equity securities based on the documented priority of each class of securities in the capital structure. Generally, the waterfall proceeds from senior debt tranches of the capital structure to senior then junior subordinated debt, followed by each class of preferred stock and finally the common stock.

To estimate a company's enterprise value, the company's trailing twelve months earnings before interest, taxes, depreciation and amortization ("EBITDA") is multiplied by a valuation multiple.

Both the company's EBITDA and valuation multiple are considered significant unobservable inputs. Significant increases/(decreases) to the company's EBITDA and/or valuation multiple would result in significant increases/(decreases) to the equity value. An increase/(decrease) to the discount would result in a (decrease)/increase to the equity value.

**Short-Term Securities**

Short-term securities, of sufficient credit quality, with more than sixty days to maturity are valued at fair value, using external independent third-party services. Short-term securities having a maturity of sixty days or less are valued at amortized cost, which approximates fair value.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Unaudited)

### Quantitative Information about Level 3 Fair Value Measurements

The following table represents quantitative information about Level 3 fair value measurements as of March 31, 2016.

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Corporate Bonds	\$150,633,221	Discounted Cash Flows	Discount Rate	9.1% to 20.3%	12.7%
	\$7,978,746				
			EBITDA	\$0.0 million to \$7.3 million	\$5.3 million
Equity Securities	\$52,465,714	Market Approach	Valuation Multiple	3.7x to 12.4x	7.9x
			Discount for lack of marketability	0% to 20%	0.6%
			EBITDA	\$0.0 million to \$152.0 million	\$23.5 million

### Fair Value Hierarchy

The Trust categorizes its investments measured at fair value in three levels, based on the inputs and assumptions used to determine fair value. These levels are as follows:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Trust's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used to value the Trust's net assets as of March 31, 2016:

Assets:	Total	Level 1	Level 2	Level 3
Restricted Securities				
Corporate Bonds	\$209,662,254	\$ -	\$51,050,285	\$158,611,969
Common Stock - U.S.	15,938,023	-	-	15,938,023
Preferred Stock	15,082,889	-	-	15,082,889
Partnerships and LLCs	21,444,800	-	-	21,444,800
Public Securities				
Bank Loans	2,175,739	-	2,175,739	-
Corporate Bonds	33,191,534	-	33,191,534	-
Common Stock - U.S.	1,170,057	1,170,057	-	-
Short-term Securities	4,174,408	-	4,174,408	-
<b>Total</b>	<b>\$ 302,839,704</b>	<b>\$ 1,170,057</b>	<b>\$ 90,591,966</b>	<b>\$ 211,077,681</b>

See information disaggregated by security type and industry classification in the Consolidated Schedule of Investments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(Unaudited)**

Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value:

Assets:	Beginning balance at 12/31/2015	Included in earnings	Purchases	Sales	Prepayments	Transfers into Level 3	Transfers out of Level 3	Ending balance at 3/31/2016
Restricted Securities								
Corporate Bonds	\$ 144,499,690	\$ 1,020,255	\$ 13,141,145	-	\$(49,121)	\$ -	\$ -	\$ 158,611,969
Common Stock - U.S.	17,650,577	(1,843,297)	1,177,327	(1,046,584)	-	-	-	15,938,023
Preferred Stock	13,760,307	1,342,332	-	(19,750)	-	-	-	15,082,889
Partnerships and LLCs	21,562,089	161,528	86,067	(364,884)	-	-	-	21,444,800
	<b>\$ 197,472,663</b>	<b>\$ 680,818</b>	<b>\$ 14,404,539</b>	<b>\$(1,431,218)</b>	<b>\$(49,121)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 211,077,681</b>

There were no transfers into or out of Level 1 or Level 2 assets.

Income, Gains and Losses included in Net Increase in Net Assets resulting from Operations for the period are presented in the following accounts on the Statement of Operations:

	Net Increase in Net Assets Resulting from Operations	Change in Unrealized Gains & (Losses) in Net Assets from assets still held
Interest (Amortization)	\$ 126,217	-
Net realized gain on investments before taxes	\$ 1,087,822	-
Net change in unrealized depreciation of investments before taxes	\$ (533,221)	(691,591)

**B. Accounting for Investments:**

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis, including the amortization of premiums and accretion of discounts on bonds held using the yield-to-maturity method. The Trust does not accrue income when payment is delinquent and when management believes payment is questionable.

Realized gains and losses on investment transactions and unrealized appreciation and depreciation of investments are reported for financial statement and Federal income tax purposes on the identified cost method.

**C. Use of Estimates:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**D. Federal Income Taxes:**

The Trust has elected to be taxed as a "regulated investment company" under the Internal Revenue Code, and intends to maintain this qualification and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that the Trustees either designate the net realized long-term gains as undistributed and pay the Federal capital gains taxes thereon or distribute all or a portion of such net gains. For the three months ended March 31, 2016, the Trust did not have any realized taxable long-term capital gains.

The Trust is taxed as a regulated investment company and is therefore limited as to the amount of non-qualified income that it may receive as the result of operating a trade or business, e.g. the Trust's pro rata share of income allocable to the Trust by a partnership operating company. The Trust's violation of this limitation could result in the loss of its status as a regulated investment company, thereby subjecting all of its net income and capital gains to corporate taxes prior to distribution to its shareholders. The Trust, from time-to-time, identifies investment opportunities in the securities of entities that could cause such trade or business income to be allocable to the Trust. The CI Subsidiary Trust (described in Footnote 1 above) was formed in order to allow investment in such securities without adversely affecting the Trust's status as a regulated investment company.

The CI Subsidiary Trust is not taxed as a regulated investment company. Accordingly, prior to the Trust receiving any distributions from the CI Subsidiary Trust, all of the CI Subsidiary Trust's taxable income and realized gains, including non-qualified income and realized gains, is subject to taxation at prevailing corporate tax rates. As of March 31, 2016, the CI Subsidiary Trust has incurred income tax expense of \$316,966.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (Unaudited)

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax basis. As of March 31, 2016, the CI Subsidiary Trust has a deferred tax liability of \$1,186,434.

The Trust recognizes a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. If this threshold is met, the Trust measures the tax benefit as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Trust has evaluated and determined that the tax positions did not have a material effect on the Trust's financial position and results of operations for the three months ended March 31, 2016.

Each of the Trust's Federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

#### E. Distributions to Shareholders:

The Trust records distributions to shareholders from net investment income and net realized gains, if any, on the ex-dividend date. The Trust's net investment income dividend is declared four times per year, in April, July, October, and December. The Trust's net realized capital gain distribution, if any, is declared in December.

### 3. Investment Services Contract

#### A. Services:

Under an Investment Services Contract (the "Contract") with the Trust, Babson Capital agrees to use its best efforts to present to the Trust a continuing and suitable investment program consistent with the investment objectives and policies of the Trust. Babson Capital represents the Trust in any negotiations with issuers, investment banking firms, securities brokers or dealers and other institutions or investors relating to the Trust's investments. Under the Contract, Babson Capital also provides administration of the day-to-day operations of the Trust and provides the Trust with office space and office equipment, accounting and bookkeeping services, and necessary executive, clerical and secretarial personnel for the performance of the foregoing services.

#### B. Fee:

For its services under the Contract, Babson Capital is paid a quarterly investment advisory fee of 0.3125% of the net asset

value of the Trust as of the last business day of each fiscal quarter, which is approximately equal to 1.25% annually. A majority of the Trustees, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital, approve the valuation of the Trust's net assets as of such day.

### 4. Senior Secured Indebtedness

MassMutual holds the Trust's \$30,000,000 Senior Fixed Rate Convertible Note (the "Note") issued by the Trust on November 15, 2007. The Note is due November 15, 2017 and accrues interest at 5.28% per annum. MassMutual, at its option, can convert the principal amount of the Note into common shares. The dollar amount of principal would be converted into an equivalent dollar amount of common shares based upon the average price of the common shares for ten business days prior to the notice of conversion. For the three months ended March 31, 2016, the Trust incurred total interest expense on the Note of \$396,000.

The Trust may redeem the Note, in whole or in part, at the principal amount proposed to be redeemed together with the accrued and unpaid interest thereon through the redemption date plus a Make Whole Premium. The Make Whole Premium equals the excess of (i) the present value of the scheduled payments of principal and interest which the Trust would have paid but for the proposed redemption, discounted at the rate of interest of U.S. Treasury obligations whose maturity approximates that of the Note plus 0.50% over (ii) the principal of the Note proposed to be redeemed.

### 5. Purchases and Sales of Investments

	For the three months ended 03/31/2016	
	Cost of Investments Acquired	Proceeds from Sales or Maturities
Corporate restricted securities	\$15,314,228	\$8,467,920
Corporate public securities	1,241,028	8,234,897

The aggregate cost of investments is substantially the same for financial reporting and Federal income tax purposes as of March 31, 2016. The net unrealized depreciation of investments for financial reporting and Federal tax purposes as of March 31, 2016 is \$783,966 and consists of \$27,386,182 appreciation and \$28,170,148 depreciation.

Net unrealized depreciation of investments on the Statement of Assets and Liabilities reflects the balance net of a deferred tax accrual of \$1,186,434 on net unrealized losses on the CI Subsidiary Trust.



**THIS PRIVACY NOTICE IS BEING PROVIDED ON BEHALF OF BABSON CAPITAL MANAGEMENT LLC AND ITS AFFILIATES;  
BABSON CAPITAL SECURITIES LLC;  
BABSON CAPITAL MANAGEMENT (AUSTRALIA) PTY LTD.  
BABSON CAPITAL MANAGEMENT (JAPAN) KK;  
BABSON CAPITAL CORNERSTONE ASIA LIMITED;  
BABSON CAPITAL FUNDS TRUST;  
BABSON CAPITAL GLOBAL SHORT DURATION HIGH YIELD FUND;  
BABSON CAPITAL CORPORATE INVESTORS AND BABSON CAPITAL PARTICIPATION INVESTORS (TOGETHER, FOR  
PURPOSES OF THIS PRIVACY NOTICE, “BABSON CAPITAL”).**

When you use Babson Capital you entrust us not only with your hard-earned assets but also with your personal and financial data. We consider your data to be private and confidential, and protecting its confidentiality is important to us. Our policies and procedures regarding your personal information are summarized below.

We may collect non-public personal information about you from:

- Applications or other forms, interviews, or by other means;
- Consumer or other reporting agencies, government agencies, employers or others;
- Your transactions with us, our affiliates, or others; and
- Our Internet website.

We may share the financial information we collect with our financial service affiliates, such as insurance companies, investment companies and securities broker-dealers. Additionally, so that we may continue to offer you products and services that best meet your investment needs and to effect transactions that you request or authorize, we may disclose the information we collect, as described above, to companies that perform administrative or marketing services on our behalf, such as transfer agents, custodian banks, service providers or printers and mailers that assist us in the distribution of investor materials or that provide operational support to Babson Capital. These companies are required to protect this information and will use this information only for the services for which we hire them, and are not permitted to use or share this information for any other purpose. Some of these companies may perform such services in jurisdictions other than the United States. We may share some or all of the information we collect with other financial institutions with whom we jointly market products. This may be done only if it is permitted by the state in which you live. Some disclosures may be limited to your name, contact and transaction information with us or our affiliates.

Any disclosures will be only to the extent permitted by federal and state law. Certain disclosures may require us to get an “opt-in” or “opt-out” from you. If this is required, we will do so before information is shared. Otherwise, we do not share any personal information about our customers or former customers unless authorized by the customer or as permitted by law.

We restrict access to personal information about you to those employees who need to know that information to provide products and services to you. We maintain physical, electronic and procedural safeguards that comply with legal standards to guard your personal information. As an added measure, we do not include personal or account information in non-secure e-mails that we send you via the Internet without your prior consent. We advise you not to send such information to us in non-secure e-mails.

This joint notice describes the privacy policies of Babson Capital, the Funds and Babson Capital Securities LLC. It applies to all Babson Capital and the Funds accounts you presently have, or may open in the future, using your social security number or federal taxpayer identification number – whether or not you remain a shareholder of our Funds or as an advisory client of Babson Capital. As mandated by rules issued by the Securities and Exchange Commission, we will be sending you this notice annually, as long as you own shares in the Funds or have an account with Babson Capital.

Babson Capital Securities LLC is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Investors may obtain information about SIPC including the SIPC brochure by contacting SIPC online at [www.sipc.org](http://www.sipc.org) or calling (202)-371-8300. Investors may obtain information about FINRA including the FINRA Investor Brochure by contacting FINRA online at [www.finra.org](http://www.finra.org) or by calling (800) 289-9999.

May 2016

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## **DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN**

Babson Capital Corporate Investors (the "Trust") offers a Dividend Reinvestment and Share Purchase Plan (the "Plan"). The Plan provides a simple way for shareholders to add to their holdings in the Trust through the receipt of dividend shares issued by the Trust or through the investment of cash dividends in Trust shares purchased in the open market. A shareholder may join the Plan by filling out and mailing an authorization card to DST Systems, Inc., the Transfer Agent.

Participating shareholders will continue to participate until they notify the Transfer Agent, in writing, of their desire to terminate participation. Unless a shareholder elects to participate in the Plan, he or she will, in effect, have elected to receive dividends and distributions in cash. Participating shareholders may also make additional contributions to the Plan from their own funds. Such contributions may be made by personal check or other means in an amount not less than \$10 nor more than \$5,000 per quarter. Cash contributions must be received by the Transfer Agent at least five days (but no more than 30 days) before the payment date of a dividend or distribution.

Whenever the Trust declares a dividend payable in cash or shares, the Transfer Agent, acting on behalf of each participating shareholder, will take the dividend in shares only if the net asset value is lower than the market price plus an estimated brokerage commission as of the close of business on the valuation day. The valuation day is the last day preceding the day of dividend payment.

When the dividend is to be taken in shares, the number of shares to be received is determined by dividing the cash dividend by the net asset value as of the close of business on the valuation date or, if greater than net asset value, 95% of the closing share price. If the net asset value of the shares is higher than the market value plus an estimated commission, the Transfer Agent, consistent with obtaining the best price and execution, will buy shares on the open market at current prices promptly after the dividend payment date.

The reinvestment of dividends does not, in any way, relieve participating shareholders of any federal, state or local tax. For federal income tax purposes, the amount reportable in respect of a dividend received in newly-issued shares of the Trust will be the fair market value of the shares received, which will be reportable as ordinary income and/or capital gains.

As compensation for its services, the Transfer Agent receives a fee of 5% of any dividend and cash contribution (in no event in excess of \$2.50 per distribution per shareholder.)

Any questions regarding the Plan should be addressed to DST Systems, Inc., Transfer Agent for Babson Capital Corporate Investors' Dividend Reinvestment and Share Purchase Plan, P.O. Box 219086, Kansas City, MO 64121-9086.



**Babson Capital  
Corporate Investors**