BABSON CAPITAL CORPORATE INVESTORS

Form N-CSR March 06, 2015

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-2183

Babson Capital Corporate Investors

(Exact name of registrant as specified in charter)

1500 Main Street, P.O. Box 15189, Springfield, MA 01115-5189

(Address of principal executive offices) (Zip code)

Christopher A. DeFrancis, Vice President, Secretary and Chief Legal Officer 1500 Main Street, Suite 2800, P.O. Box 15189, Springfield, MA 01115-5189

(Name and address of agent for service)

Registrant's telephone number, including area code: 413-226-1000

Date of fiscal year end: 12/31

Date of reporting period: 12/31/14

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the

burden to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORT TO STOCKHOLDERS.

Attached hereto is the annual Company Act of 1940, as amo	ted to shareholders pursu	ant to Rule 30e-1 of the	Investment

2014		
Babson Capital CORPORATE INVESTORS 2014 Annual Report		

BABSON CAPITAL CORPORATE INVESTORS

Babson Capital Corporate Investors is a closed-end investment company, first offered to the public in 1971, whose shares are traded on the New York Stock Exchange.

INVESTMENT OBJECTIVE & 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 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 fixed 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 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 four times a year 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.

In this report, you will find a complete listing of the Trust's holdings. We encourage you to read this section carefully for a better understanding of the Trust. We cordially invite all shareholders to attend the Trust's Annual Meeting of Shareholders, which will be held on April 17, 2015 at 1:00 P.M. in Springfield, Massachusetts.

PROXY VOTING POLICIES & PROCEDURES; PROXY VOTING RECORD

The Trustees of Babson Capital Corporate Investors (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 1-866-399-1516; (2) on the Trust's website at http://www.BabsonCapital.com/mci; and (3) on the U.S. Securities and Exchange Commission's ("SEC") 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, 2014 is a vailable (1) on the Trust's website at http://www.BabsonCapital.com/mci; and (2) on the SEC's website at http://www.sec.gov.

FORM N-Q

The Trust files its complete schedule of portfolio holdings with the 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 on the Trust's website at thttp://www.BabsonCapital.com/mci or upon request by calling, toll-free, 1-866-399-1516.

BABSON CAPITAL CORPORATE INVESTORS

c/o Babson Capital Management LLC

1500 Main Street P.O. Box 15189

Springfield, Massachusetts 01115-5189

(413) 226-1516

http://www.BabsonCapital.com/mci

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 02111

COUNSEL TO THE TRUST

Ropes & Gray LLP

Boston, Massachusetts 02111

CUSTODIAN

State Street Bank and Trust Company

Boston, MA 02110

TRANSFER AGENT & REGISTRAR

DST Systems, Inc. P.O. Box 219086

Kansas City, MO 64121-9086

1-800-647-7374

PORTFOLIO COMPOSITION AS OF 12/31/14*

* Based on value of total investments (including cash)

TOTAL ANNUAL PORTFOLIO RETURN (AS OF 12/31 EACH YEAR)*

*

Data for Babson Capital Corporate Investors (the "Trust") represents portfolio returns based on change in the Trust's net asset value assuming the reinvestment of all dividends and distributions. These returns differ from the total investment return based on market value of the Trust's shares due to the difference between the Trust's net asset value and the market value of its shares outstanding (see page 13 for total investment return based on market value). Past performance is no guarantee of future results.

Babson Capital Corporate Investors

TO OUR SHAREHOLDERS

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2014.

PORTFOLIO PERFORMANCE

The Trust's net total portfolio rate of return for 2014 was 13.8%, as measured by the change in net asset value and assuming the reinvestment of all dividends and distributions. The Trust's total net assets were \$280,130,264 or \$14.34 per share, as of December 31, 2014. This compares to \$268,687,514 or \$13.85 per share, as of December 31, 2013. The Trust paid a quarterly dividend of \$0.30 per share for each of the four quarters of 2014, for a total annual dividend of \$1.20 per share. In 2013, the Trust also paid four quarterly dividends of \$0.30 per share, for a total annual dividend of \$1.20 per share. Net investment income for 2014 was \$1.23 per share, including approximately \$0.21 per share of non-recurring income, compared to 2013 net investment income of \$1.19 per share, which included approximately \$0.04 per share of non-recurring income.

The Trust's stock price increased 6.4% during 2014, from \$14.93 as of December 31, 2013 to \$15.89 as of December 31, 2014. The Trust's stock price of \$15.89 as of December 31, 2014 equates to a 10.8% premium over the December 31, 2014 net asset value per share of \$14.34. The Trust's average quarter-end premium for the 3-, 5-, 10- and 25-year periods ended December 31, 2014 was 16.2%, 16.5%, 12.7%, and 4.0%, respectively.

The table below lists the average annual net returns of the Trust's portfolio, based on the change in net assets and assuming the reinvestment of all dividends and distributions. Average annual returns of the Barclays Capital U.S. Corporate High Yield Index and the Russell 2000 Index for the 1-, 3-, 5-, 10- and 25-year periods ended December 31, 2014 are provided for comparison purposes only.

		barclays Capital U.S.	Russell
	The Trust	Corporate High Yield Index	2000 Index
1 Year	13.78%	2.45%	4.89%
3 Years	14.52%	8.43%	19.21%
5 Years	15.05%	9.03%	15.55%
10 Years	12.11%	7.74%	7.77%
25 Years	13.64%	8.76%	9.75%

Past performance is no guarantee of future results.

PORTFOLIO ACTIVITY

The Trust closed 18 new private placement investments, as well as five "add-on" investments in existing portfolio companies in 2014. The 18 new investments were in Airxcel Holdings; Avantech Testing Services LLC; Clarion Brands Holding Corp.; Dunn Paper; ECG Consulting Group; ERG Holding Company LLC; GenNx Novel Holding, Inc.; Grakon Parent; GTI Holding Company; Hartland Controls Holding Corporation; HHI Group, LLC; Handi Quilter Holding Company; Impact Confections; MES Partners, Inc.; Money Mailer; Polytex Holdings LLC; PPC

Event Services and VP Holding Company. The five "add-on" investments were in ARI Holding Corporation; Church

Services Holding Company; Merex Holding Corporation; MVI Holding, Inc. a	and Netshape Technologies, Inc. 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 $$51,852,942$, which was up 41.5% from	the \$36,653,347 of new private
placement investments made by the Trust in 2013.	
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2014 Annual Report

The Trust's new investment activity in 2014 benefited from a strong rebound in middle market merger and acquisition activity during the year. In fact, middle market buyout volume in 2014 was at its highest level since 2007. The dark cloud on the horizon, though, continues to be the high purchase prices and leverage levels that are common in buyout transactions today. Competition for new investment opportunities remains intense, as there continues to be an overabundance of private debt and equity capital looking to be invested. Attractive companies are being aggressively pursued by both buyers and lenders alike. As a result, average purchase price multiples in 2014 were at their highest level in the past 15 years. Leverage multiples also increased during the year, to their second highest level in the past 15 years.

Though we were active investors on behalf of the Trust in 2014, we did so, and will continue to 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. In 2014, in the face of these aggressive market conditions, we continued our history of investing in companies at lower than market leverage levels. The average leverage of the Trust's new private placement investments in 2014 was 4.0x times EBITDA, compared to the 5.3 times EBITDA for the market as a whole. This approach has served us well over the long term and through all kinds of market cycles.

In addition to strong new investment activity, the condition of the Trust's existing portfolio remained solid throughout the year. Sales and earnings for the Trust's portfolio companies as a whole continued their upward momentum. We had significantly more credit upgrades in the portfolio this year than downgrades, while the number of companies on our watch list or in default remained at or near the lowest level we have seen over the last seven years.

We had 32 companies exit from the Trust's portfolio during 2014. This is an unprecedented high level of exit activity for the Trust's portfolio and is another indicator of how active and aggressive the market was in 2014. In 28 of these exits, the Trust realized a positive return on its investment. These investments were: AHC Holding Company, Inc.; Apex Analytix Holding Corporation; Baby Jogger Holdings LLC; CDNT, Inc.; Connor Sport Court International, Inc.; Duncan Systems, Inc.; ELT Holding Company; Handi Quilter Holding Company; Home Décor Holding Company; Jason Partners Holdings LLC; KPHI Holdings, Inc.; LPC Holding Company; MBWS Ultimate Holdco, Inc.; MEGTEC Holdings, Inc.; NT Holding Company; Ontario Drive & Gear Ltd.; PKC Holding Corporation; PPT Holdings LLC; Postle Aluminum Company LLC; Precision Wire Holding Company; Snacks Parent Corporation; SouthernCare Holdings, Inc.; Specialty Commodities, Inc.; Stag Parkway Holding Company; Terra Renewal LLC; TruStile Doors, Inc.; U-Line Corporation; and UMA Enterprises, Inc. Four long-standing troubled investments, HM Holding Company; Pacific Consolidated Holdings LLC; Sencore Holdings Company; and Strata/WLA Holding were realized in 2014 at a loss. The Trust also benefited from dividends associated with the recapitalizations of six companies during the year. The Trust realized significant net gains from these exits and recapitalizations.

The level of refinancing activity in the portfolio in 2014, though still robust, was down from the unprecedented level of refinancings we saw in 2013. These transactions, in which the debt instruments held by the Trust were fully or partially prepaid, are being driven by companies seeking to take advantage of low interest rates and the abundant availability of capital. During 2014, we had 20 portfolio companies fully or partially prepay their debt obligations to the Trust, compared to 32 such prepayments in 2013.

The unprecedented level of exit activity in the portfolio this year, along with another year of above-average prepayment activity, was the principal reason that the Trust's net investment income, excluding non-recurring items, declined from \$1.15 per share in 2013 to \$1.02 per share in 2014.

Babson Capital Corporate Investors

OUTLOOK FOR 2015

We have started the year off with a healthy backlog of deal flow. Surveys of middle market financiers indicate that most expect 2015 to be another active year in terms of deal flow. We did see the pressure on leverage levels and investment returns stabilize as we progressed through 2014, and that is expected to continue into 2015. As a result, we are optimistic about the outlook for new investment activity for the Trust in 2015. We also have a number of portfolio companies that are in the process of being sold and we are hopeful that those exits will once again generate significant gains for the Trust. Rest assured that despite constantly changing market conditions, we will continue to employ on behalf of the Trust the same investment philosophy that has served it well since its inception: investing in companies which we believe have a strong business proposition, solid cash flow and experienced, ethical management. We believe this philosophy, along with Babson Capital's seasoned investment-management team, positions the Trust well to meet its long-term investment objectives.

While the Trust was able to maintain its \$0.30 per share quarterly dividend in 2014 for a total annual dividend of \$1.20 per share, we must make note again, as we did in last year's Annual Report, that this dividend level may not be sustainable throughout 2015. The Trust's net investment income per share, excluding non-recurring income, of \$1.02 per share in 2014 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 exits and prepayment activity that has occurred over the last two years. 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. In 2014, the Trust earned an unusually high \$0.21 per share of non-recurring income, mostly due to dividend distributions from the recapitalization of a few portfolio companies. This income has replenished the Trust's earnings carry-forwards somewhat and should be available to supplement recurring income for the next few quarters. Unless market conditions change dramatically though, it is still unlikely that we will be able to 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 2015 we will have to reduce the dividend from the current \$0.30 per share quarterly rate. As we move through 2015, 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.

As always, I would like to thank you for your continued interest in and support of Babson Capital Corporate Investors. I look forward to seeing you at the Trust's annual shareholder meeting in Springfield on April 17, 2015.

Sincerely,

Michael L. Klofas President

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 in 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.

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2014	Record	Net Investment	Short-Term	Long-Term
Dividends Date	Income	Income	Gains	Gains
Regular	4/28/2014	0.3000	-	-
	8/1/2014	0.3000	-	-
	11/3/2014	0.3000	-	-
	12/31/2014	0.3000	-	-
		\$ 1.2000	\$ -	\$ -

The following table summarizes the tax effects of the relation of capital gains for 2014:

	Amount Per Share	Form 2439
2014 Gains Retained	0.5054	Line 1a
Long - Term Gains Retained	0.5054	-
Taxes Paid	0.1769	Line 2*
Basis Adjustment	0.3285	**

^{*} If you are not subject to federal capital gains tax (e.g. charitable organizations, IRAs and Keogh Plans) you may be able to claim a refund by filing Form 990-T.

	Qualified for Div	Interest Earned on					
Annual							
Dividend	Received Deduct	ion***	Qualified Divide	end****	U.S. Gov't. Obligations		
Amount		Amount		Amount		Amount	
Per Share	Percent	Per Share	Percent	Per Share	Percent	Per Share	
\$ 1.20	9.7617%	0.1168	9.7617%	0.1168	0%	0.0000	

*** Not available to individual shareholders

**** Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2014

^{**} For federal income tax purposes, you may increase the adjusted cost basis of your shares by this amount (the excess of Line 1a over Line 2).

BABSON CAPITAL CORPORATE INVESTORS Financial Report Consolidated Statement of Assets and Liabilities 9 Consolidated Statement of Operations 10 Consolidated Statement of Cash Flows 11 Consolidated Statements of Changes in Net Assets 12 Consolidated Selected Financial Highlights 13 Consolidated Schedule of Investments 14-43 Notes to Consolidated Financial Statements 14-43 44-49 Report of Independent Registered Public Accounting Firm Interested Trustees 50 Independent Trustees 53-54 Officers of the Trust 55-56

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CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES December $31,\,2014$

Assets: Investments (See Consolidated Schedule of Investments) Corporate restricted securities at fair value	
(Cost - \$183,122,440)	\$ 186,055,909
Corporate restricted securities at market value (Cost - \$54,264,843)	52,767,419
Corporate public securities at market value (Cost - \$52,180,609)	51,922,909
Short-term securities at amortized cost Total investments (Cost - \$306,165,090)	16,597,198 307,343,435
Cash	12,459,008
Interest receivable	2,840,782
Receivable for investments sold Other assets	179,712 37,627
Total assets	322,860,564
Liabilities:	
Note payable	30,000,000
Dividend payable Toy payable	5,860,025
Tax payable Deferred tax liability	4,343,118 1,154,830
Investment advisory fee payable	875,407
Interest payable	202,400
Accrued expenses	294,520
Total liabilities	42,730,300
Total net assets	\$ 280,130,264
Net Assets:	
Common shares, par value \$1.00 per share	\$ 19,533,416
Additional paid-in capital Retained net realized gain on investments	114,582,701 142,769,539
Undistributed net investment income	2,783,533
Accumulated net realized gain on investments	437,560
Net unrealized appreciation of investments	23,515
Total net assets	\$ 280,130,264
Common shares issued and outstanding (28,054,782 authorized)	19,533,416
Net asset value per share	\$ 14.34
See Notes to Consolidated Financial Statements	

Babson Capital Corporate Investors

CONSOLIDATED STATEMENT OF OPERATIONS For the year ended December 31, 2014

Investment Income: Interest	\$26,661,923
Dividends	3,095,126
Other	438,462
Total investment income	30,195,511
Expenses:	
Investment advisory fees	3,519,159
Interest	1,584,000
Trustees' fees and expenses	358,000
Professional fees	307,071
Reports to shareholders	140,000
Custodian fees	33,600
Other	268,735
Total expenses	6,210,565
Investment income - net	23,984,946
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	12,879,730
Income tax expense	(4,025,292)
Net realized gain on investments after taxes	8,854,438
Net change in unrealized depreciation of investments before taxes	(257,620)
Net change in deferred income tax expense	173,398
Net change in unrealized depreciation of investments after taxes	(84,222)
Net gain on investments	8,770,216
Net increase in net assets resulting from operations	\$32,755,162
See Notes to Consolidated Financial Statements	
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See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended December 31, 2014	
Net increase in cash: Cash flows from operating activities: Purchases/Proceeds/Maturities from short-term portfolio securities, net Purchases of portfolio securities Proceeds from disposition of portfolio securities Interest, dividends and other income received Interest expense paid Operating expenses paid Income taxes paid	\$(12,327,089) (112,373,208) 114,688,205 26,497,918 (1,584,000) (4,554,112) (407,655)
Net cash provided by operating activities	9,940,059
Cash flows from financing activities: Cash dividends paid from net investment income Receipts for shares issued on reinvestment of dividends	(23,336,352) 2,065,868
Net cash used for financing activities	(21,270,484)
Net decrease in cash Cash - beginning of year	(11,330,425) 23,789,433
Cash - end of year	\$12,459,008
Reconciliation of net increase in net assets to net cash provided by operating activities:	
Net increase in net assets resulting from operations Increase in investments Increase in interest receivable Increase in receivable for investments sold Decrease in other assets Increase in tax payable Decrease in deferred tax liability Increase in investment advisory fee payable Increase in accrued expenses Decrease in payable for investments purchased Total adjustments to net assets from operations Net cash provided by operating activities	\$32,755,162 (25,227,956) (405,513) (179,712) 1,494 3,617,637 (173,398) 35,759 36,694 (520,108) (22,815,103) \$9,940,059

Babson Capital Corporate Investors

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS For the years ended December 31, 2014 and 2013

Increase in net assets:	2014	2013
Operations: Investment income - net Net realized gain on investments after taxes Net change in unrealized depreciation of investments after taxes	\$23,984,946 8,854,438 (84,222	\$22,870,299 (942,568) 10,248,182
Net increase in net assets resulting from operations	32,755,162	
Increase from common shares issued on reinvestment of dividends Common shares issued (2014 - 139,761; 2013 - 153,982) Dividends to shareholders from:	2,065,868	2,339,460
Net investment income (2014 - \$1.20 per share; 2013 - \$1.20 per share)	(23,378,280)	
Total increase in net assets	11,442,750	11,309,122
Net assets, beginning of year	268,687,514	257,378,392
Net assets, end of year (including undistributed net investment income of \$2,783,533 and \$2,361,260, respectively)	\$280,130,264	\$268,687,514

See Notes to Consolidated Financial Statements

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

	or the yea 114	rs en		December 13	er 31,	12		20	11 (a)		20	10 (a)	
Net asset value: Beginning of year Net investment income (b) Net realized and unrealized	\$ 13.85 1.23		\$	13.38 1.18		\$ 12.69 1.28		\$	12.56 1.29		\$	11.45 1.13	
gain on investments Total from investment	0.45			0.48		0.69			0.17			1.06	
operations Dividends from net investment	1.68			1.66		1.97			1.46			2.19	
income to common shareholders Dividends from net realized gain	(1.20)		(1.20)	(1.25)		(1.34)		(1.08)
on investments to common shareholders Increase from dividends	-			-		(0.05)		(0.01)		-	
reinvested	0.01	`		0.01	,	0.02	`		0.02	`		0.00	(c)
Total dividends	(1.19)	Φ.	(1.19)	(1.28)		(1.33)		(1.08)
Net asset value: End of year Per share market value: End	\$ 14.34		\$	13.85		\$ 13.38		\$	12.69		\$	12.56	
of year Total investment return	\$ 15.89		\$	14.93		\$ 15.28		\$	17.99		\$	15.28	
	13.78	%		12.76	%	17.07	%		12.00	%		19.81	%
Net asset value (d)		% %		5.93	% %				27.92	% %		31.73	%
Market value (d) Net assets (in millions):	16.53	%		3.93	%	(7.11	%)		21.92	%		31./3	%
End of year	\$ 280.13		\$	268.69		\$ 257.38		\$	241.94		\$	237.58	
Ratio of total expenses to average net assets Ratio of operating expenses	3.66	%		2.42	%	3.17	%		2.42	%		2.57	%
to average net assets Ratio of interest expense	1.65	%		1.64	%	1.66	%		1.62	%		1.60	%
to average net assets	0.57	%		0.59	%	0.63	%		0.64	%		0.70	%
Ratio of income tax expense to average net assets (e) Ratio of net investment	1.44	%		0.19	%	0.88	%		0.16	%		0.27	%
income	8.57	%		8.50	%	9.78	%		9.91	%		9.46	%
to average net assets Portfolio turnover	38	% %		34	%	9.78 34	% %		21	% %		9. 4 0 39	% %
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⁽a) Per share amounts were adjusted to reflect a 2:1 stock split effective February 18, 2011.

⁽b) Calculated using average shares.

⁽c) Rounds to less than \$0.01 per share.

- (d) 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.
- (e) 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.

Total principal amount (in millions)	\$30	\$30	\$30	\$30	\$30
Asset coverage per \$1,000					
of indebtedness	\$10,338	\$9,956	\$9,579	\$9,065	\$8,919

See Notes to Consolidated Financial Statements

Babson Capital Corporate Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2014

	Princi Amou Shares, or	int,							
Corporate Restricted Securities - 85.25%: (A)	Owner Percen	•	Acquisition Date	Co	ost	Fa	ir Value		
Private Placement Investments - 66.42%: (C)									
1492 Acquisition LLC A leading producer of premium Italian cured meats and deli meats in the U.S. 14% Senior Subordinated Note due									
10/17/2019 Limited Liability Company Unit	\$ 1,625	5,974	10/17/12	\$	1,600,878	\$	1,591,646		
Class A Common (B) Limited Liability Company Unit	27,273 u	ts.	10/17/12		27,273		-		
Class A Preferred (B)	245 uts.		10/17/12		245,450 1,873,601		247,420 1,839,066		
A S C Group, Inc. A designer and manufacturer of high r systems and electronic components pri	-				_	mpı	uting		
14% Senior Subordinated Note due	<i>j</i>	<i>,</i>	mp						
12/21/2020 Limited Liability Company Unit	\$ 1,972	2,076	12/20/13		1,937,030		1,991,796		
Class A (B) Limited Liability Company Unit	5,843 uts	i.	*		290,317		507,357		
Class B (B) * 10/09/09 and 12/20/13.	2,793 uts		10/09/09		100,114 2,327,461		242,521 2,741,674		
A W X Holdings Corporation 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 05/15/2015 (D) 13% Senior Subordinated Note due	\$ 735,0	000	05/15/08		724,402		367,500		
05/15/2015 (D)	\$ 735,0	000	05/15/08		673,096		_		
Common Stock (B)	105,000		05/15/08		105,000		_		
Warrant, exercisable until 2015, to purchase	105,000	O1101	03/13/00		100,000				
common stock at \$.01 per share (B)	36,923 sl	ns.	05/15/08		62,395 1,564,893		- 367,500		
ABC Industries, Inc.					1,507,075		307,300		

o o				
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	401,321	440,727
Preferred Stock Series A (B)	300,000 shs.	08/01/12	300,000	533,353
Warrant, exercisable until 2022, to purchase			,	,
common stock at \$.02 per share (B)	53,794 shs.	08/01/12	101,870	90,453
•			803,191	1,064,533
ACP Cascade Holdings LLC A manufacturer and distributor of viny States. Limited Liability Company Unit Class B (B)	l windows and patio d	oors throughout the n	orthwestern United	-
Advanced Manufacturing				
Enterprises LLC A designer and manufacturer of large, critical customer applications. 14% Senior Subordinated Note due	custom gearing produc	cts for a number of		
12/17/2018	\$ 2,723,077	12/07/12 \$	2,692,615 \$	2,719,826
Limited Liability Company Unit (B)	3,434 uts.	*	343,385	432,754
* 12/07/12 and 07/11/13.			3,036,000	3,152,580

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

Corporate Restricted Securities: (A) (0	Continued	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Co.	st	Fai	r Value
Advanced Technologies Holdings A provider of factory maintenance ser industrial companies.	vices to						
Preferred Stock Series A (B)		626 shs.	12/27/07	\$	309,806	\$	947,061
Convertible Preferred Stock Series B	(B)	52 shs.	01/04/11		40,800 350,606		79,404 1,026,465
Airxcel Holdings					330,000		1,020,403
A leading manufacturer of a broad ran	ge of clim	nate control solution	ns, including air	-conc	ditioners, he	at pun	nps, cooking
appliances, furnaces, powered vents, a	and water	heaters.					
12.5% Senior Subordinated		• • • • • • • •	11/10/11		• 064	65 0	• • • • • • • • •
Note due 11/18/2020	\$	2,922,226	11/18/14		2,864	,679	2,941,580
Limited Liability Company Unit	583 uts.		11/18/14		583,0	00	553,850
Oilit	Jos uts.		11/10/14		3,447		3,495,430
All Current Holding Company A specialty re-seller of essential electr wholesale distributors.	rical parts	and components pr	rimarily serving		,	,	, ,
Common Stock (B) Warrant, exercisable until 2018, to purchase	1,347 sh	s.	09/26/08		134,6	83	298,714
common stock at \$.01 per share (B)	958 shs.		09/26/08		87,99 222,6		212,448 511,162
American Hospice Management Holding LLC A for-profit hospice care provider in the United States. 12% Senior Subordinated Note					,		
due 03/31/2020 (D)	\$	2,337,496	*		2,337	,242	2,337,496
Preferred Class A Unit (B)	3,223 ut		**		322,3		-
Preferred Class B Unit (B)	1,526 ut		06/09/08		152,6	26	173,688
Common Class B Unit (B)	30,420 t		01/22/04		l 1		-
Common Class D Unit (B) * 01/22/04 and 06/09/08.	6,980 ut	s.	09/12/06		1 2,812	170	- 2,511,184
** 01/22/04 and 09/16/06.					2,012	,170	2,J11,10 T

AMS Holding LLC

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. 10/04/12 272,727 695,242

Arch Global Precision LLC

A leading manufacturer of high tolerance precision

components and consumable tools.

Limited Liability Company

Unit Class B (B) 60 uts. 12/21/11 85,250 301,132

Limited Liability Company

Unit Class C (B) 690 uts. 12/21/11 664,750 2,981,096 750,000 3,282,228

See Notes to Consolidated Financial Statements

Babson Capital Corporate Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

Corporate Restricted Securities: (A) (Continued)	Principa Shares Ownership Percentag	Acquisition Date	Co	Cost		Fair Value	
ARI Holding Corporation A leading national supplier of products u	used primar	ily by					
specialty contractors. 11.5% Senior Subordinated Note	•						
due 02/01/2020	\$ 3	,392,154	*	\$	3,341,466	\$	3,402,513
Limited Partnership Interest * 05/21/13 and 08/01/14.	1,048 uts.	,	08/01/14		1,047,900 4,389,366		832,004 4,234,517
Arrow Tru-Line Holdings, Inc.							
A manufacturer of hardware for resident North America.	tial and com	mercial overhead g	arage doors in				
Preferred Stock (B)	63 shs.		10/16/09		62,756		234,645
Common Stock (B)	497 shs.		05/18/05		497,340		61,929
Warrant, exercisable until 2016,							
to purchase							
common stock at \$.01 per share (B)	130 shs.		05/18/05		112,128		16,235
	130 5115.		03/10/03		672,224		312,809
Avantech Testing Services LLC							
A manufacturer of custom Non-Destruct	tive Testing	("NDT") systems a	nd provider of I	ND	T and inspect	tion	is services
primarily to the oil country tubular good	ls market.						
15% Senior Subordinated Note due 07/31/2021	\$	1.015.604	07/31/14		006 604		1 010 900
Limited Liability Company Unit		1,015,684 00 uts.	07/31/14		996,694 750,000		1,019,899 713,853
Zimica Ziaomej Company Cine	75,00	. Courts.	07751711		1,746,694	1	1,733,752
Blue Wave Products, Inc.							
A distributor of pool supplies.							
10% Senior Secured Term Note due 09/30/2018	\$	670,213	10/12/12		660,881		670,213
13% Senior Subordinated Note due	φ	070,213	10/12/12		000,001		070,213
09/30/2019	\$	730,938	10/12/12		689,592		740,490
Common Stock (B)	114,8	94 shs.	10/12/12		114,894		238,482
Warrant, exercisable until 2022, to							
purchase common stock at \$.01 per share (B)	45,48	66 shs.	10/12/12		45,486		94,414
. , ,	•				1,510,853	3	1,743,599

BP SCI LLC

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	452,771
Limited Liability Company Unit Class				
B (B)	400 uts.	10/17/12	400,000	505,555
			500,000	958,326

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Bravo Sports Holding Corporation				1
A designer and marketer of niche brandskateboards, and urethane wheels. 12.5% Senior Subordinated	ded consumer products includi	ng canopies, tran	npolines, in-line s	kates,
Note due 06/30/2015	\$ 2,281,593	06/30/06	\$ 2,279,420	\$ 2,281,593
Preferred Stock Class A (B)	879 shs.	06/30/06	268,121	17,318
Common Stock (B)	1 sh.	06/30/06	286	-
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share				
(B)	309 shs.	06/30/06	92,102	6,087
			2,639,929	2,304,998
Capital Specialty Plastics, Inc. A producer of desiccant strips used for pharmaceutical products.	packaging			
Common Stock (B) * 12/30/97, 05/29/99 and 02/28/01.	109 shs.	*	503	1,531,219
CG Holdings Manufacturing Company				
A coating provider serving the automo markets.	tive, agricultural, heavy truck	and other end		
13% Senior Subordinated Note	Ф 2.200.252	*	2 226 127	2 449 624
11/01/2019	\$ 3,390,252	*	3,226,137	3,448,624
Preferred Stock (B)	3,241 shs.	*	324,054	349,178
Preferred Stock (B)	1,174 shs.	*	116,929	126,510
Common Stock (B) Warrant, exercisable until 2023, to purchase common stock at \$.01 per share	337 shs.	*	35,673	27,917
(B)	137 shs.	*	13,033	11,358
* 05/09/13 and 11/01/13.			3,715,826	3,963,587

CHG Alternative Education Holding Company

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.

1 ,		1 0		
13.5% Senior Subordinated Note due 01/19/2018	\$ 2,269,609	01/19/11	2,197,592	2,292,305
14% Senior Subordinated Note due 08/03/2019	\$ 590,612	08/03/12	582,076	596,518

Common Stock (B)	1,125 shs.	01/19/11	112,500	176,946
Warrant, exercisable until 2021, to purchase				
common stock at \$.01 per share (B)	884 shs.	01/19/11	87,750	139,090
			2,979,918	3,204,859

See Notes to Consolidated Financial Statements

Babson Capital Corporate Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
December 31, 2014

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage			Acquisition Date Cos			ost Fε		Fair Value	
Church Services Holding Company A provider of diversified residential servi and Austin markets. 14.5% Senior Subordinated Note	ces to	home	eowners in the Ho	ouston, D	allas,					
due 03/26/2018 10% Senior Subordinated Note due	\$	1,26	7,955	03/26/1	2	\$	1,241,405	\$	1,272,814	
09/12/2015 Common Stock (B) Warrant, exercisable until 2022, to purchase	\$ 3,98	19,5 I shs.	56	09/15/1	4 *		19,556 398,100		19,578 256,125	
common stock at \$.01 per share (B) * 03/26/12, 05/25/12 and 06/19/12.	172 s	shs.		03/26/1	2		17,220 1,676,281		11,066 1,559,583	
Clarion Brands Holding Corp. A portfolio of six over-the-counter (OTC of the ear, excessive sweating, urinary tra 12.5% Senior Subordinated Note due 09/30/2021 Common Stock (B) Clough, Harbour and Associates An engineering service firm that is						ns. '14	3,131,55 318,182 3,449,74	58	or ringing 3,199,499 302,273 3,501,772	
located in Albany, NY. Preferred Stock (B)	27	7 shs.			12/02/	08	276,900		502,917	
Connecticut Electric, Inc. A supplier and distributor of electrical products sold into the retail and wholesale markets. Limited Liability Company Unit										
Class A (B) Limited Liability Company Unit	15	6,046	uts.		01/12/	07	156,046		111,581	
Class C (B) Limited Liability Company Unit	11	2,873	uts.		01/12/	07	112,873		86,492	
Class D (B)	1,2	268,43	37 uts.		05/03/	10	-		1,430,241	
Limited Liability Company Unit Class E (B)	2,0)81 ut	ts.		05/03/	'10	- 268,919		- 1,628,314	

CorePharma LLC

A manufacturer of oral dose generic pharmaceuticals targeted at niche applications.

Warrant, exercisable until 2015, to					
purchase					
common stock at \$.001 per share	20 shs	s.	08/04/05	137,166	1,065,557
Crona Dantal Cornaration					
Crane Rental Corporation					
A crane rental company since 1960,					
headquartered in Florida.					
13% Senior Subordinated Note due					
11/30/2015	\$	1,313,250	08/21/08	1,289,537	1,313,250
Common Stock (B)	255,00	00 shs.	08/21/08	255,000	194,311
Warrant, exercisable until 2016, to					
purchase					
common stock at \$.01 per share (B)	136,070 shs.		08/21/08	194,826	103,685
(-)	20,0			1,739,363	1,611,246
				1,737,303	1,011,270

See Notes to Consolidated Financial Statements

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equipment dealer network.

Common Stock (B)

CONSOLIDATED SCHEDULE OF I December 31, 2014	NVESTMENTS (CON	TINUED)				
	Principal Amount, Shares, Units					
	or					
Corporate Restricted Securities: (A) (Continued)	Ownership Percentage	Acquisition Date	Co	ct.	Fa	ir Value
(Continued)	rerechage	Date	Co	3 .	1 a	ii vaide
CTM Holding, Inc.						
A leading owner and operator of coin- U.S.	operated children's ride	es, penny presses and	l candy	kiosks in the		
15% Senior Subordinated Note due						
11/22/2019	\$ 2,443,262	11/22/13	\$	2,401,829	\$	2,492,127
Common Stock (B)	62,088 shs.	11/22/13		886,364		696,407
				3,288,193		3,188,534
Custom Engineered Wheels Inc						
Custom Engineered Wheels, Inc. A manufacturer of custom engineered	non proumatic plactic	whoole and plactic to	and one	tires used pri	imo	rily for
lawn and garden products and wheelel		wheels and plastic ti	cau ca _l	tires used pri	1111a	111y 101
Preferred Stock PIK (B)	296 shs.	10/26/09		295,550		443,145
Preferred Stock Series A (B)	216 shs.	10/27/09		197,152		323,779
Common Stock (B)	72 shs.	10/26/09		72,238		2,404
Warrant, exercisable until 2016, to	, = 5115.	10/20/09		,		_,
purchase						
common stock at \$.01 per share (B)	53 shs.	10/27/09		48,608		1,756
•				613,548		771,084
DPL Holding Corporation						
A distributor and manufacturer of afte	rmarket undercarriage p	parts for medium and	l heavy	duty trucks		
and trailers.						
14% Senior Subordinated Note due						
05/04/2019	\$ 3,237,707	05/04/12		3,192,719	9	3,270,084
Preferred Stock (B)	61 shs.	05/04/12		605,841		705,033
Common Stock (B)	61 shs.	05/04/12		67,316	_	207,550
Dunn Danas				3,865,876	6	4,182,667
Dunn Paper						
A provider of specialty paper for niche product applications.						
11.25% Senior Subordinated Note due 06/30/2020	¢ 2,060,607	12/20/14		2.010.244	<i>C</i>	2 069 406
	\$ 2,969,697	12/30/14		2,910,346	O	2,968,496
Preferred Stock (B)	530 shs.	12/30/14		530,303 3,440,649	a	503,785 3,472,281
				J, 44 U,045	,	J,+14,401
E S P Holdco, Inc.						
A manufacturer of power protection te	1 1 6	:-1 -66:	•	!111!	41	- CC:

660shs. 01/08/08

329,990

592,373

Eatem Holding Company

A developer and manufacturer of savory flavor systems for soups, sauces, gravies, and other products produced by food manufacturers for retail and foodservice end products.

12.5% Senior Subordinated Note				
due 01/29/2018	\$ 2,850,000	02/01/10	2,649,319	2,878,500
Common Stock (B)	150 shs.	02/01/10	150,000	256,688
Warrant, exercisable until 2018, to				
purchase				
common stock at \$.01 per share (B)	358 shs.	02/01/10	321,300	612,029
			3,120,619	3,747,217

See Notes to Consolidated Financial Statements

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

Principal			
Amount,			
Shares, Units			
or			
0 1:			

Corporate Restricted Securities: (A) Ownership Acquisition

(Continued) Percentage Date Cost Fair Value

ECG Consulting Group

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	\$ 2,627,133	11/21/14	\$ 2,568,114	\$ 2,640,445
Limited Liability Company Unit (B)	467 uts.	11/19/14	145,833	138,544
			2,713,947	2,778,989

EPM Holding Company

A provider of non-discretionary regulatory driven engineering services that support mission critical safety and operational aspects of nuclear power plants.

14.5% Senior Subordinated Note due 07/26/2019	\$	883,970	07/26/13	869,312	901,650
Common Stock	3,06	69 shs.	07/26/13	306,947	393,514
				1,176,259	1,295,164

ERG Holding Company LLC

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	\$	1,908,767	04/04/14	1,874,593	1,930,787
Common Stock (B)	63 shs.		04/04/14	157,314	157,325
				2,031,907	2,088,112

FFC Holding Corporation

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	201,739
Limited Liability Company Unit (B)	512 uts.	09/27/10	51,220	434,457
			226.255	636.196

F G I Equity LLC

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.

, U	,	,	1 0	U
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	545,011
Limited Liability Company Unit Class B-2 (B)	49,488 uts.	12/15/10	49,488	68,328
Limited Liability Company Unit Class B-3 (B)	39,130 uts.	08/30/12	90,000	63,692
Limited Liability Company Unit Class C (B)	9,449 uts.	12/20/10	96,056	124,679
			630,281	1,285,065

G C Holdings 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) See Notes to Consolidated Financial Statements 20

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

, ,				
	Principal Amount, Shares, Units or			
Corporate Restricted Securities: (A) (Continued)	Ownership Percentage	Acquisition Date	Cost	Fair Value
GD Dental Services LLC A provider of convenient "onestop" throughout South and Central Flori Limited Liability Company Unit		cosmetic dental serv	ices with 21 offices	slocated
Common (B) Limited Liability Company Unit	1,840 uts.	10/05/12	\$ 1,840	\$ 107,160
Preferred (B)	182 uts.	10/05/12	182,209 184,049	206,476 313,636
GenNx Novel Holding, Inc. A manufacturer and distributor of nutraceutical ingredients. 13% Senior Subordinated Note			20 ,0 12	210,000
due 03/27/2020	\$ 3,201,901	03/27/14	3,143,934	3,175,563
Common Stock (B)	31,500 shs.	03/27/14	315,000	251,710
	31,300 sns.	03/2//14	3,458,934	3,427,273
gloProfessional Holdings, Inc. A marketer and distributor of prem the professional spa and physician' 14% Senior Subordinated Note	s office channels.			_
due 03/27/2019	\$ 2,813,518	03/27/13	2,770,694	2,834,947
Common Stock (B)	2,835 shs.	03/27/13	283,465 3,054,159	371,246 3,206,193
Golden County Foods Holding, Inc. A manufacturer of frozen appetizers and snacks. 14% Senior Subordinated Note				
due 11/13/2019 (D)	\$ 73,550	11/13/13	436,682	-
Preferred Stock (B)	287,658 shs.	11/13/13	146,658	-
Preferred Stock Series F (B)	294,200 shs.	11/13/13	1,746,726 2,330,066	-
Grakon Parent			,,	
The leading designer and manufact for transportation-based markets. 12% Senior Subordinated Note	urer of highly-engineered	d and customized LI	ED and incandescer	nt lighting systems
due 04/30/2021	\$ 3,145,270	10/31/14	3,083,456	3,153,573
Common Stock (B)	355 shs.	10/31/14	354,730	336,994
• /			2 420 106	2 400 567

3,490,567

3,438,186

GTI H	olding	Com	pany
-------	--------	-----	------

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 1,363,611 1,456,278 Common Stock (B) 1,693 shs. 02/05/14 169,271 145,849 Warrant, exercisable until 2024, to purchase common stock at \$.01 per share 68,488 795 shs. 02/05/14 73,633

1,606,515

1,670,615

See Notes to Consolidated Financial Statements

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(B)

Hi-Rel Group LLC

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

	Sha	ipal Amount, ares, Units or					
Corporate Restricted Securities: (A) (Continued)		Ownership Percentage	Acquisition Date	Co	ost	Fa	ir Value
Handi Quilter Holding Company A designer and manufacturer of long-a quilting market.	rm quil	ting machines and	I related components	for th	e consumer		
12% Senior Subordinated Note due 06/19/2021	\$	2,917,639	12/19/14	\$	2,859,518	Φ	2 024 131
Limited Liability Company (B)	583 u		12/19/14	Ф	583,336	Ф	554,164
Limited Liability Company (B)	5,833		12/19/14		363,330		334,104
Limited Liability Company (B)	3,033	uts.	12/19/14		2 112 951		2 479 205
Hartland Controls Holding					3,442,854		3,478,295
Hartland Controls Holding Corporation							
A manufacturer and distributor of elect	ronico	nd					
electromechanical components.	ionic a	IIG					
14% Senior Subordinated Note							
due 08/14/2019	\$	2,211,488	02/14/14		2,172,195		2,277,833
Preferred Stock Series A (B)	ه 5,169		02/14/14		516,852		548,904
Common Stock (B)	1,666		02/14/14		1,667		220,842
Common Stock (B)	1,000	5115.	02/14/14		2,690,714		3,047,579
Healthcare Direct Holding Company A direct-to-consumer marketer of discount dental plans. 14% Senior Subordinated Note					2,090,714		3,047,379
due 03/09/2019 (D)	\$	2,217,633	03/09/12		2,180,992		2,226,682
16% Senior Subordinated PIK	T	_,,			_,,		_,,
Note due 03/09/2019	\$	62,152	03/31/14		62,152		62,302
Common Stock (B)	1,552	•	03/09/12		155,172		186,676
,	•				2,398,316		2,475,660
HHI Group, LLC					, ,		, ,
A developer, marketer, and distributor control products. 14% Senior Subordinated Note	of hobb	by-grade radio					
due 01/17/2020	\$	3,105,522	01/17/14		3,051,150		3,107,744
Limited Liability Company Unit	•	,			, ,		, ,
(B)	203 u	its.	01/17/14		203,125 3,254,275		109,295 3,217,039

A manufacturer and distributor of precision metal piece parts for the microelectronic packaging industry, serving the

1,661,989

12% Senior Subordinated Note due 03/15/2018					
Limited Liability Company Unit (B)	563 uts.	04/15/13	562,500	377,585	
Warrant, exercisable until 2020, to					
purchase					
common stock at \$.01 per share (B)	89,224 shs.	04/15/13	77,625 2,246,300	56,896 2,096,470	
HOP Entertainment LLC					
A provider of post production equipment	nt and services to producers o	f television shows and a	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	-	-	
			-	-	
See Notes to Consolidated Financial Statements					

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J A C Holding Enterprises, Inc.

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Hospitality Mints Holding				
Company				
A manufacturer of individually-wrapp promotional mints.	ed imprinted			
12% Senior Subordinated Note				
due 08/19/2016	\$ 2,075,581	08/19/08	\$ 2,026,614	\$ 2,070,114
Common Stock (B)	474 shs.	08/19/08	474,419	182,035
Warrant, exercisable until 2016,				
to purchase				
common stock at \$.01 per share (B)	123 shs.	08/19/08	113,773	47,049
(D)	125 8118.	00/1//00	2,614,806	2,299,198
HVAC Holdings, Inc.			2,01.,000	_,_>,,;>
A provider of integrated energy efficient	ency services and maintenance p	programs for		
HVAC systems.				
12.5% Senior Subordinated	ф 2 940 900	00/27/12	2 907 200	2 070 200
Note due 09/27/2019 Preferred Stock Series A (B)	\$ 2,849,890 2,705 shs.	09/27/12 09/27/12	2,807,399 270,542	2,878,389 332,814
Common Stock (B)	2,185 shs.	09/27/12	2,185	43,193
Common Stock (2)	2,100 5115.	03/2//12	3,080,126	3,254,396
Ideal Tridon Holdings, Inc.			, ,	, ,
A designer and manufacturer of clamp	s and couplings used in automo	tive and		
industrial end markets.	270 1	10/07/11	250 561	(10 (0)
Common Stock (B)	279 shs.	10/27/11	278,561	613,634
Impact Confections				
An independent manufacturer and man	keter of confectionery products	including Warhe	ads® brand sou	r candies,
Melster® brand classic candies, and co	· -	-		,
13% Senior Subordinated Note				
due 11/4/2020	\$ 2,161,391	11/10/14	2,118,90	
Common Stock (B)	4,667 shs.	11/10/14	466,667	443,334
Insurance Claims Management,			2,585,57	3 2,615,262
Inc.				
A third party administrator providing a	auto and property claim adminis	tration services f	or insurance	
companies.				
Common Stock (B)	89 shs.	02/27/07	2,689	523,696

A supplier of luggage racks and accequipment manufacturers.	essories to the original			
Preferred Stock A (B)	495 shs.	12/20/10	495,000	539,193
Preferred Stock B (B)	0.17 shs.	12/20/10	-	182
Common Stock	100 shs.	12/20/10	5,000	-
Warrant, exercisable until 2020,				
to purchase				
common stock at \$.01 per share				
(B)	36 shs.	12/20/10	316,930	154,165
			816,930	693,540

See Notes to Consolidated Financial Statements

Corporate Restricted Securities: (A) (Continued)		cipal Amount, hares, Units or Ownership Percentage	Acquisition Date	C	ost	Fa	nir Value
Janus Group Holdings LLC A manufacturer of roll-up doors and ha self-storage facilities.	ıllway	systems that are primarily	used in				
13.5% Senior Subordinated							
Note due 06/10/2019 Limited Liability Company	\$	2,684,783	12/11/13	\$	2,638,513	\$	2,738,479
Unit Class A (B)	565	uts.	12/11/13		278,515 2,917,028		871,624 3,610,103
JMH Investors LLC							
A developer and manufacturer of custo wide variety of foods.	m for	mulations for a					
14.25% Senior Subordinated							
Note due 12/05/2019	\$	2,596,215	12/05/12		2,556,530		2,436,548
Limited Liability Company	Ψ	2,370,213	12/03/12		2,550,550		2,130,310
Unit (B)	748,	119 uts.	*		539,849		59,850
* 12/05/12 and 11/11/14.	,				3,096,379		2,496,398
K & N Parent, Inc.							
A manufacturer and supplier of automo	otive a	ftermarket performance ai	r filters and				
intake systems.							
Preferred Stock Series A	305	shs.	12/23/11		-		-
Preferred Stock Series B	86 s	hs.	12/23/11		-		-
Common Stock	489	shs.	*		19,565		470,280
* 12/23/11 and 06/30/14.					19,565		470,280
K N B Holdings Corporation							
A designer, manufacturer and marketer	of pr	oducts for the					
custom framing market.	101	210.1	05104106		124210		110 005
Common Stock (B)	134,	210 shs.	05/24/06		134,210		112,285
Warrant, exercisable until 2016,							
to purchase							
common stock at \$.01 per share	02.2	57 alaa	05/05/06		71.524		69.002
(B)	82,3	57 shs.	05/25/06		71,534 205,744		68,903 181,188
K P I Holdings, Inc.					203,711		101,100
The largest player in the U.S. non-auto	motiv	e, non-ferrous					
die casting segment.							
Convertible Preferred Stock							
Series C (B)	55 s	hs.	06/30/09		55,435		177,833
	24 s	hs.	09/17/09		24,476		75,368

443 shs.	07/15/08	443,478	423,078
96 shs.	07/16/08	96,024	91,603
128 shs.	09/17/09	-	121,730
		619,413	889,612
	96 shs.	96 shs. 07/16/08	96 shs. 07/16/08 96,024 128 shs. 09/17/09 -

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

	Principal Amount, Shares, Units or			
Corporate Restricted Securities: (A) (Continued)	Ownership Percentage	Acquisition Date	Cost	Fair Value
M V I Holding, Inc. A manufacturer of large precision m	_		ent which services a var	riety of
industries, including the oil and gas, Common Stock (B) Warrant, exercisable until 2018, to purchase	61 shs.	09/12/08	\$ 60,714	\$ -
common stock at \$.01 per share (B)	66 shs.	09/12/08	65,571 126,285	-
Mail Communications Group, Inc. A provider of mail processing and h printing services.	andling services, letters	shop services, and co	ommercial	
Limited Liability Company Unit Warrant, exercisable until 2017, to purchase common stock at \$.01 per share	24,109 uts.	*	314,464	367,132
(B) * 05/04/07 and 01/02/08.	3,375 shs.	05/04/07	43,031 357,495	51,395 418,527
Manhattan Beachwear Holding Company A designer and distributor of women's swimwear. 12.5% Senior Subordinated Note				
due 01/15/2018 15% Senior Subordinated Note	\$ 1,259,914	01/15/10	1,175,928	1,259,914
due 01/15/2018 Common Stock (B) Common Stock Class B (B) Warrant, exercisable until 2019, to purchase	\$ 341,477 106 shs. 353 shs.	10/05/10 10/05/10 01/15/10	338,001 106,200 352,941	341,066 227,697 756,718
common stock at \$.01 per share (B)	312 shs.	10/05/10	283,738 2,256,808	669,691 3,255,086

MedSystems Holdings LLC

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	125,519	161,526
Common Unit Class A (B)	1,268 uts.	08/29/08	1,268	236,431
Common Unit Class B (B)	497 uts.	08/29/08	120,064	92,751
			246,851	490,708

Merex Holding Corporation

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.

14% Senior Subordinated Note due 10/30/2019	\$	1,362,886	09/22/11	1,345,525	1,321,999
Limited Liability Company Unit Series A	684	uts.	05/07/14	44,281	20,255
Limited Liability Company Unit Series B (B)	467,833 uts.		09/22/11	467,833	279,709
				1,857,639	1,621,963

See Notes to Consolidated Financial Statements

December 31, 2014							
Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Un Owners Percent	ship	Acquisition Date	Co	st	Fa	uir Value
MES Dartners Inc							
MES Partners, Inc. An industrial service business offer Coast region of the U.S. 12% Senior Subordinated Note	ing an array	of cleaning	g and environmental	services to	the Gulf		
due 09/30/2021	\$ 2,200	0,944	09/30/14	\$	2,158,061	\$	2,210,044
Common Stock Class B (B)	445,455 sl	•	09/30/14	Ψ	445,455 2,603,516	Ψ	423,182 2,633,226
MicroGroup, Inc.							
A manufacturer of precision parts a of metal tubing and bars.	nd assemblie	es, and a va	alue-added supplier				
7% Senior Subordinated Note	ф. 1.7 0		de		1.605.166		
due 06/30/2015 (D)	•	5,152	*		1,635,166		-
Preferred Stock Series A (B)	980 shs.		10/10/12		942,054		-
Common Stock (B)	450 shs.		*		450,000		-
Common Stock Series B (B) Warrant, exercisable until 2015, to purchase common stock at \$.02 per share	1,128 shs.		10/10/12		11		-
(B)	164 shs.		*		162,974		
* 08/12/05 and 09/11/06.	104 8118.				3,190,205		-
MNX Holding Company An international third party logistic across the globe. 14% Senior Subordinated Note	s company p	roviding c	ustomized logistics s	ervices to c	ustomers		
due 11/02/2019	\$ 3,020	0,485	11/02/12		2,974,900		2,855,487
Common Stock (B)	107 shs.	•	11/02/12		107,143 3,082,043		24,090 2,879,577
Money Mailer							
A leading provider of hyperlocal sh			-	active and o	nline adverti	sin	g solutions
through its nationwide production a Preferred Stock	nd distribution	on networl 2,704,3		12/10/14	2,663,799)	2,569,146
Motion Controls Holdings A manufacturer of high performance products. 14.25% Senior Subordinated Note of		l motion c	ontrol and linkage				
08/15/2020		\$	2,922,941	11/30/10	2,893,219)	2,922,941
					•		•

Limited Liability Company Unit Class				
B-1 (B)	225,000 uts.	11/30/10	-	242,634
Limited Liability Company Unit Class				
B-2 (B)	20,403 uts.	11/30/10	-	22,002
			2,893,219	3,187,577
NABCO, Inc.				
A producer of explosive containment				
vessels in the United States.				
Common Stock (B)	809 shs.	12/20/12	578,174	-

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

	Principal Amount, Shares, Units	3					
Corporate Restricted Securities: (A) (Continued)	Ownership Percentage		Acquisition Date	Cost		Fa	ir Value
NetShape Technologies, Inc. A manufacturer of powder metal and me other applications.	etal injection mo	olded	precision compo	onents use	ed in industria	al, co	onsumer, and
12% Senior Subordinated Note due 06/10/2020 Limited Partnership Interest of	\$ 1,530,000)	02/02/07	\$ 1	,528,612	\$	1,530,000
Saw Mill PCG Partners LLC (B) Limited Liability Company Unit Class D of	2.73% int.		02/01/07	1	,110,810		-
Saw Mill PCG Partners LLC (B) Limited Liability Company Unit Class D-1 of	17 uts.		*	1	6,759		-
Saw Mill PCG Partners LLC (B) Limited Liability Company Unit Class D-2 of	229 uts.		09/30/09	2	228,858		444,079
Saw Mill PCG Partners LLC (B) Limited Liability Company Unit Class D-3 of	128 uts.		04/29/11	6	55,256		277,748
Saw Mill PCG Partners LLC (B) * 12/18/08 and 09/30/09.	196 uts.		12/10/14		.96,263 8,146,558		186,447 2,438,274
Newark Group, Inc. A major producer of paper products from recycled materials.	124.520 ala		00/02/10	7	106 962		004.792
Common Stock (B)	134,520 shs.		09/02/10	/	96,862		904,782
Nicoat Acquisitions LLC A manufacturer of water-based and ultraviolet coatings for high-performance graphic arts, packaging and other specialty coating applications.							
14% Senior Subordinated Note due 04/0	9/2018	\$	1,465,851	11/05/1	0 1,394,3	398	1,465,851
Limited Liability Company Unit Series			724 uts.	11/05/1	*		110,897
Limited Liability Company Unit Series			,792 uts.	11/05/1		2	224,674

Northwest Mailing Services, Inc.

Limited Liability Company Unit Series F (B)

A producer of promotional materials for companies that use direct mail as part of their customer retention and loyalty programs.

104,792 uts.

11/05/10

1,550,914

1,830,030

28,608

Limited Partnership Interest (B)	3,287 uts.	*	328,679	241,958
Warrant, exercisable until 2019, to purchase				
common stock at \$.01 per share (B)	4,920 shs.	*	492,016	362,199
* 07/09/09 and 08/09/10.			820,695	604,157

See Notes to Consolidated Financial Statements

Corporate Restricted Securities: (A) (Continued)		Amount, , Units or p Percentage	Acqu Date	uisition	Co	st	Fa	ir Value
O E C Holding Corporation A provider of elevator maintenance, repair an services.	nd moderniz	ation						
13% Senior Subordinated Note due								
08/23/2018		,333,333		6/04/10	\$	1,271,008	\$	1,333,333
Preferred Stock Series A (B)	1,661 shs.			6/04/10		166,062		103,196
Preferred Stock Series B (B)	934 shs.			6/04/10		93,376		-
Common Stock (B)	1,032 shs.		0	6/04/10		1,032 1,531,478		- 1,436,529
Pearlman Enterprises, Inc.								
A developer and distributor of tools, equipme	ent, and supp	plies to the nat	ural a	nd engine	ered	l stone indus	stry.	
Preferred Stock Series A (B)		2,334 sh		05/22/		111,508	•	1,778,100
Preferred Stock Series B (B)		13,334 s	shs.	05/22/	09	547,872		-
Common Stock (B)		40,540 s	shs.	05/22/	09	1,877,20	8	_
. ,		•				2,536,58		1,778,100
Petroplex Inv Holdings LLC								
A leading provider of acidizing services to Ed	&P custome	rs in the Perm	ian					
Basin.								
Limited Liability Company Unit		375,000	uts.	11/29/	12	375,000		408,543
Polytex Holdings LLC								
A manufacturer of water based inks and relate	ed products	serving prima	rily th	e wall cov	verii	ng market.		
13% Senior Subordinated Note due 01/31/202	20	\$ 2,112,1	67	07/31/1	4	2,072,348	3	2,117,617
Limited Liability Company Unit		300,485 uts.		07/31/1	4	300,485		308,640
						2,372,833	3	2,426,257
PPC Event Services								
A special event equipment rental business.								
14% Senior Subordinated Note due 05/20/202	20	\$ 2,275,0	000	11/20/1	4	2,230,437	7	2,290,383
Limited Liability Company Unit (B)		7,000 uts.		11/20/1	4	350,000		332,500
J 1 J , , ,		,				2, 580,43	7	2,622,883
								, ,
R A J Manufacturing Holdings LLC								
A designer and manufacturer of women's swi	imwear sold	l under a varie	ty of l	icensed bi	rand	names.		
8% Senior Subordinated Note due 01/02/2017	7 (D)	\$ 94,270		01/02/1	4	410,667		94,270
Limited Liability Company Unit (B)		2,828 uts.		12/15/0	6	282,810		47,625
Limited Liability Company Unit Class B Cor	mmon (B)	10 shs.		01/02/1		414,787		69,850
Limited Liability Company Unit Class B-1 Pr						,		,
(B)		18 shs.		01/02/1	4	707,024		707,022
Warrant, exercisable until 2017, to purchase						•		
common stock at \$.01 per share (B)		3 shs.		12/15/0	6	131,483		22,459
-						1,946,771	1	941,226

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

December 31, 2014	T II (ESTINEI (IS (ES			
	Principal Amount, Shares, Units			
Corporate Restricted Securities: (A) (Continued)	or Ownership Percentage	Fair Value		
REVSpring, Inc. A provider of accounts receivable rehealthcare, financial and utility induction Limited Liability Company Unit Class A (B)	ustries.	e cycle management s	ervices to customers	in the
* 10/21/11 and 08/03/12.	40,643 uts.	*	\$ 406,432	\$ 537,556
Rose City Holding Company A designer and printer of folding ca West Coast. Preferred Stock (B)	93,749 shs.	12/11/12	anufacturers on the 93,749	115,046
Common Stock (B)	104 shs.	12/11/12	9 93,758	158,764 273,810
Safety Infrastructure Solutions A provider of trench safety equipm Southwestern United States. Preferred Stock (B) Common Stock (B)	ent to a diverse custome 6,294 shs. 2,949 shs.	03/30/12 03/30/12	end markets in Texa 251,758 29,492 281,250	316,036 158,597 474,633
Signature Systems Holdings Company A seller and installer of a variety of used for ground protection.	modular surfaces, indu	strial matting and rela		•
12.5% Senior Subordinated Note due 03/15/2021 Common Stock (B) Warrant, exercisable until 2023, to purchase common stock at \$.01 per share	\$ 1,812,211 181 shs.	03/15/13 03/15/13	1,722,766 181,221	1,848,455 362,592
(B)	74 shs.	03/15/13	67,958 1,971,945	148,122 2,359,169
Smart Source Holdings LLC A short-term computer rental company.				
	610 yeta	*	402 406	922 907

619 uts.

823,897

493,496

Limited Liability Company Unit

(B)

Warrant, exercisable until 2015,

to purchase

common stock at \$.01 per share

SMB Machinery Holdings, Inc.

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
 \$ 1,492,199
 10/18/13
 1,467,106
 1,448,710

 Common Stock (B)
 1,681 shs.
 10/18/13
 168,100

 1,635,206
 1,448,710

See Notes to Consolidated Financial Statements

Corporate Restricted Securities: (A) (Co	ontinued	Principal Amount, Shares, Un Owners Percent	ship Acqui	sition Co	ost		Fair	· Value
Spartan Foods Holding Company A manufacturer of branded pizza crusts pancakes.	and							
12.25% Senior Subordinated Note due 03/01/2019	ī	\$ 1,143	3,342 12/15	5/09 \$	1,04	46,517	\$	1,143,342
Warrant, exercisable until 2020, to puro common stock at \$.01 per share (B)	enase	257 shs.	12/15	5/09		7,109 73,626		192,604 1,335,946
Strahman Holdings Inc A manufacturer of industrial valves and petrochemical, polymer, pharmaceutica 14% Senior Subordinated Note due		• •	•		es, inc	luding c	hemi	ical,
06/13/2019		\$	2,119,565	12/13/		2,081,1		2,103,000
Preferred Stock A (B)		317,935 sh	S.	12/13/	/13	317,935 2,399,1		266,628 2,369,628
Sundance Investco LLC A provider of post-production services shows. Limited Liability Company Unit Class A (B)	to produ	cers of movies 6,429 shs.	and television	03/31/	′ 10	-		-
Sunrise Windows Holding Company A manufacturer and marketer of premit replacement market. 14% Senior Subordinated Note due	ım vinyl	windows excl	usively selling	to the res	identia	l remod	eling	and
12/14/2017 14% Senior Subordinated PIK Note	\$ 3,	131,768	12/14/	10		3,038,0	90	3,140,754
due 12/14/2017	\$ 29	8,000	08/17/	12		291,15	3	298,000
Common Stock (B)	115 sh	S	12/14/	10		114,50		102,379
Warrant, exercisable until 2020, to purchase								
common stock at \$.01 per share (B)	112 sh	S.	12/14/	10		111,74° 3,555,4		99,920 3,641,053
Synteract Holdings Corporation								
A provider of outsourced clinical trial recompanies.	nanagen	ent services to	pharmaceutic	al and bio	techno	logy		
14% Senior Subordinated Note due 02/26/2019	\$ 3,	968,704	09/02/	08		3,866,3	880	3,968,704

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	-
			4.040.099	3.968.704

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage		Acquisition Date Co		Cost		uir Value		
Torrent Group Holdings, Inc. 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) 15% Senior Subordinated Note	\$	2,006,491	12/05/13	\$	-	\$	1,906,167		
due 12/05/2020 (D) Warrant, exercisable until 2023, to purchase common stock at \$.01 per	\$	88,396	12/05/13		414,051		17,679		
share (B)	53,038	8 shs.	12/05/13		- 414,051		- 1,923,846		
Transpac Holding Company A designer, importer and wholesaler seasonal gift products. 8% Senior Subordinated Note	of home	e décor and							
due 10/31/2015 (D) Common Stock (B) Warrant, exercisable until 2015, to purchase common stock at \$.01 per	\$ 209 sh	1,773,006 ns.	10/31/07 10/31/07		1,717,521 208,589		-		
share (B)	94 shs	S.	10/31/07		87,607		-		
					2,013,717		-		
Tranzonic Holdings LLC A producer of commercial and indust washroom and restroom supplies and 14% Senior Subordinated Note			y products, janitor	rial s	supplies, work a	ppa	rel,		
due 07/05/2019	\$	3,043,455	07/05/13		2,994,719		3,073,890		
Limited Liability Company Unit Class A (B)	295,45	55 uts.	07/05/13		295,455 3,290,174		343,109 3,416,999		
Touch Dadies & Equipment Intermeti	ama1								

Truck Bodies & Equipment International

A designer and manufacturer of accessories for heavy and medium duty trucks, primarily dump bodies, hoists, various forms of flat-bed bodies, landscape bodies and other accessories.

12% Senior Subordinated Note due 01/31/2016		1,373,340		*	1,356,540	1,373,340
Preferred Stock Series B (B)	241	shs.	10/20/08		241,172	859,168
Common Stock (B)	742	shs.		*	800,860	155,543

Warrant, exercisable until 2017, to purchase

 common stock at \$.02 per share (B)
 153 shs.
 * 159,894
 32,125

 Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)
 1,054 shs.
 10/20/08
 - 220,910

 * 07/19/05 and 12/22/05.
 2,558,466
 2,641,086

See Notes to Consolidated Financial Statements

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
TruStile Doors, Inc. A manufacturer and distributor of interior doors. Limited Liability Company				
Unit (B)	11,775 uts.	02/28/11	\$ 156,250	\$ 318,043
Vitex Packaging Group, Inc. A manufacturer of specialty packagenvelopes and tags used on tea bag				
Class B Unit (B)	767,881 uts.	10/29/09	348,058	-
Class C Unit (B)	850,000 uts.	10/29/09	780,572	566,783
Limited Liability Company Unit Class A (B) Limited Liability Company	723,465 uts.	*	433,222	-
Unit Class B (B) * 07/19/04 and 10/29/09.	182,935 uts.	07/19/04	182,935 1,744,787	566,783
VP Holding Company A provider of school transportation 13% Senior Subordinated	services for special-needs a	and homeless childre	en in Massachuse	etts.
Note due 03/31/2021	\$ 1,020,776	03/31/14	1,002,260	1,051,399
Common Stock (B)	7,368 shs.	03/31/14	736,842 1,739,102	742,054 1,793,453
Wellborn Forest Holding Company 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	-
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 1,916,412	- -
Wheaton Holding Corporation A distributor and manufacturer of l products and packaging.	aboratory supply		1,710,112	

Preferred Stock Series B (B)	2,109 shs.	06/08/10	210,924	318,850						
Common Stock (B)	1,058 shs.	06/08/10	1,058	204,455						
			211,982	523,305						
Whiteraft Holdings, Inc.										
A leading independent manufacturer of precision formed, machined, and fabricated flight-critical										
aerospace components.										
12% Senior Subordinated										
Note due 12/16/2018	\$ 2,383,562	12/16/10	2,262,004	2,380,593						
Common Stock (B)	616 shs.	12/16/10	616,438	307,564						
Warrant, exercisable until										
2018, to purchase										
common stock at \$.01 per										
share (B)	166 shs.	12/16/10	148,003	82,644						
			3,026,445	2,770,801						

See Notes to Consolidated Financial Statements

2014 Annual Report

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

Principal Amount, Shares, Units

or

Corporate Restricted Securities: Ownership Acquisition

(A) (Continued) Percentage Date Cost Fair Value

WP Supply Holding Corporation

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
 \$ 2,759,031
 11/03/11
 \$ 2,724,761
 \$ 2,759,031

 Common Stock
 4,500 shs.
 11/03/11
 450,000
 450,118

 3,174,761
 3,209,149

Total Private Placement

Investments (E) \$ 183,122,440 \$ 186,055,909

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

G	Interest	Matur	ity P	rincipal	Market			
Corporate Restricted Securities: (A) (Continued)	Rate	Date	A	Amount		Cost		lue
Rule 144A Securities -18.83%:								
Bonds - 18.78%								
Alliant Techsystems Inc.	5.250	% 10/01/		, ,		1,000,000	\$	1,007,500
Altice S.A.	7.750	05/15/	/22	1,000,000)	1,000,000		1,001,875
American Energy – Permian Basin,								
LLC	7.375	11/01/	' 21	660,000		660,000		485,100
American Energy – Permian Basin,								
LLC	6.737	08/01/	/19	305,000		302,224		224,175
American Energy – Woodford								
Holdings, LLC	9.000	09/15/		412,000		395,535		263,680
Amsted Industries	5.375	09/15/	/24	520,000		520,000		505,700
Ashtead Group plc	6.500	07/15/	/22	385,000		405,838		409,063
Audatex North America, Inc.	6.125	11/01/	/23	437,000		456,451		451,203
Belden Inc.	5.250	07/15/	/24	410,000		410,000		393,600
Beverage Packaging Holdings	6.000	06/15/	′17	730,000		730,000		711,750
California Resources Corporation	6.000	11/15/	/24	970,000		970,000		819,650
CITGO Petroleum Corporation	6.250	08/15/	/22	925,000		925,000		938,875
Commscope Holdings Inc.	6.625	06/01/	20	500,000		501,038		515,000
Consolidated Energy Finance S.A.	6.750	10/15/	/19	947,000		937,138		925,693
Cornerstone Chemical Company	9.375	03/15/	18	750,000		764,246		765,000
CTP Transportation Products, LLC	8.250	12/15/	/19	635,000		635,000		669,925
Endo Finance LLC	5.375	01/31/	/23	1,000,000)	980,732		980,000
Exopack LLC	7.875	11/01/	/19	1,000,000)	1,000,000		1,030,000
Forest Laboratories, Inc.	4.875	02/15/	' 21	1,000,000)	1,000,000		1,072,218
Forest Laboratories, Inc.	5.000	12/15	' 21	775,000		775,000		839,190
Harron Communications, L.P.	9.125	04/01/	′20	500,000		544,685		545,000
HD Supply, Inc.	5.250	12/15/	' 21	265,000		265,000		269,638
Hercules Offshore, Inc.	8.750	07/15/	' 21	1,000,000)	484,101		460,000
Hilcorp Energy Company	5.000	12/01/	/24	500,000		500,000		440,000
Hilcorp Energy Company	7.625	04/15/	' 21	725,000		700,753		728,625
Hovnanian Enterprises, Inc.	7.250	10/15/	′20	1,000,000)	1,000,000		1,035,000
Hub International Ltd.	7.875	10/01/	' 21	1,000,000)	1,000,000		995,000
Huntington Ingalls Industries	5.000	12/15/	' 21	1,000,000)	1,000,000		1,017,500
INEOS Group Holdings PLC	5.875	02/01/	/19	485,000		485,000		459,538
International Automotive Component	9.125	06/01/	18	1,000,000)	964,700		1,042,500
J.B. Poindexter Co., Inc.	9.000	04/01/	/22	1,000,000)	1,046,663		1,080,000
JBS USA Holdings, Inc.	7.750	10/28	' 20	750,000		786,424		776,625

See Notes to Consolidated Financial Statements

Corporate Restricted	Interest		Maturity	/ Principal					Market	
Securities: (A) (Continued)	Rate		Date	A	mount	C	ost	V	alue	
Jupiter Resources Inc.	0.085	%	10/01/22	\$	1,000,000	\$	951,730	\$	752,500	
Jurassic Holdings III Inc	6.875		02/15/21		1,000,000		1,008,735		930,000	
KeHE Distributors, LLC	7.625		08/15/21		1,000,000		1,062,008		1,062,500	
Kenan Advantage Group, Inc.	8.375		12/15/18		1,000,000		1,032,382		1,030,000	
Kindred Escrow Corp. II	8.750		01/15/23		1,000,000		1,000,000		1,076,250	
LBC Tank Terminals Holding										
Netherlands B.V.	6.875		05/15/23		1,315,000		1,353,199		1,321,575	
Mallinckrodt PLC	5.750		8/1/2022		1,000,000		1,000,000		1,027,500	
MEG Energy Corporation	7.000		03/31/24		1,000,000		1,000,000		905,000	
Memorial Production Partners										
L.P	6.875		08/01/22		1,000,000		984,855		760,000	
Milacron Financial	7.750		02/15/21		500,000		500,000		510,000	
Moog Inc.	5.250		12/01/22		511,000		511,000		517,387	
Murray Energy Corporation	9.500		12/05/20		1,000,000		1,095,514		1,000,000	
Mustang Merger Corporation	8.500		08/15/21		1,000,000		997,766		950,000	
Niska Gas Storage Partners										
LLC	6.500		04/01/19		1,000,000		1,000,000		752,500	
NXP BV/NXP Funding LLC	3.750		06/01/18		1,500,000		1,500,000		1,500,000	
Onex Corporation	8.500		10/01/22		352,000		352,000		352,000	
Paperworks Industries, Inc.	9.500		08/15/19		1,000,000		1,022,258		1,000,000	
Pinnacle Operating										
Corporation	9.000		11/15/20		1,000,000		1,041,342		1,030,000	
Ply Gem Industries, Inc.	6.500		02/01/22		1,000,000		934,493		930,000	
Prestige Brands Holdings, Inc.	5.375		12/15/21		1,350,000		1,350,000		1,326,375	
Roofing Supply	10.000		06/01/20		754,000		839,667		747,892	
Safway Group Holding										
LLC/Finance Corporation	7.000		05/15/18		500,000		500,000		475,000	
Sirius XM Radio Inc.	5.875		10/01/20		750,000		750,000		772,500	
Teine Energy Ltd.	6.875		09/30/22		900,000		893,009		693,000	
Topaz Marine S.A.	8.625		11/01/18		1,000,000		1,000,000		918,800	
Unitymedia KabelBW GmbH	6.125		01/15/25		1,000,000		1,000,000		1,032,500	
Univision Communications,										
Inc.	5.125		05/15/23		325,000		325,000		328,250	
Valeant Pharmaceuticals										
International	7.000		10/01/20		880,000		881,334		928,400	
Watco Companies, L.L.C.	6.375		04/01/23		1,000,000		1,000,000		990,000	
Welltec A/S	8.000		02/01/19		750,000		739,850		697,500	
West Corporation	5.375		07/15/22		1,000,000		980,851		957,500	
William Lyon Homes	7.000		08/15/22		1,000,000		1,000,000		1,010,000	
Woodside Homes Company,										
LLC	6.750		12/15/21		1,000,000		1,002,313		995,000	

XPO Logistics, Inc. Total Bonds	7.875	09/01/19	465,000	465,000 54,219,834	485,925 52,624,477				
See Notes to Consolidated Financial Statements									
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Babson Capital Corporate Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

	Interest	Maturity		Market	
Corporate Restricted Securities: (A) (Continued)	Rate	Date	Shares	Cost	Value
Convertible Preferred Stock - 0.00% ETEX Corporation (B) Total Convertible Preferred Stock			777	\$- -	\$- -
Preferred Stock - 0.05% Ally Financial, Inc. TherOX, Inc. (B) Total Preferred Stock			143 103	45,009 - 45,009	142,942 - 142,942
Common Stock - 0.00% Touchstone Health Partnership (B) Total Common Stock			1,168	-	-
Total Rule 144A Securities				54,264,843	52,767,419
Total Corporate Restricted Securities				\$237,387,283	\$238,823,328

See Notes to Consolidated Financial Statements

2014 Annual Report

Community D. I. I'm Committies	Interest		Maturity	Pı	rincipal			M	arket
Corporate Public Securities - 18.54%: (A)	Rate		Date	A	mount	Co	ost	Va	alue
Bank Loans - 0.79%									
American Energy - Marcellus, LLC	8.500	07-	07/09/21	\$	209,882	\$	206,909	\$	176,906
	5.000	%0	12/31/20	Ф	•	Ф		Ф	•
Aquilex Holdings LLC Caelus Energy Alaska, LLC			04/15/20		294,942		294,304		287,568
6.	8.750		04/13/20		1,000,000		990,783		875,000
Synarc-BioCore Holdings, LLC	9.250		03/04/22		1,000,000		000 073		873,750
	9.230		03/04/22		1,000,000		990,973		,
Total Bank Loans							2,482,969		2,213,224
Bonds - 17.41%									
AAR Corporation	7.250	%	01/15/22	\$	2,000,000	\$	2,105,118	\$	2,160,000
Accuride Corp	9.500		08/01/18		1,500,000		1,527,926		1,545,000
ADT Corporation	6.250		10/15/21		1,000,000		1,033,406		1,027,500
Ally Financial, Inc.	5.500		02/15/17		1,500,000		1,516,405		1,575,000
Alta Mesa Financial Services	9.625		10/15/18		767,000		761,974		636,610
American Axle &									
Manufacturing, Inc.	5.125		02/15/19		240,000		240,000		244,800
Anixter, Inc.	5.125		10/01/21		421,000		421,000		421,000
Antero Resources Corporation	5.375		11/01/21		800,000		800,000		774,000
Avis Budget Car Rental	9.750		03/15/20		750,000		750,000		817,500
Bonanza Creek Energy, Inc.	5.750		02/01/23		1,000,000		1,000,000		790,000
Braskem Finance Ltd.	6.450		02/03/24		815,000		815,000		817,038
Calpine Corporation	5.750		01/15/25		700,000		700,000		708,750
Calumet Specialty Products									
Partners L.P.	7.625		01/15/22		1,000,000		1,005,670		925,000
CCO Holdings Capital									
Corporation	7.250		10/30/17		750,000		759,870		780,375
Cimarex Energy Co.	5.875		05/01/22		1,000,000		1,068,231		1,040,000
CIT Group Inc.	3.875		02/19/19		1,000,000		1,000,000		997,500
Chrysler Group, LLC	8.000		06/15/19		415,000		444,214		436,269
Chrysler Group, LLC	8.250		06/15/21		415,000		454,262		459,613
Clearwater Paper Corporation	4.500		02/01/23		750,000		743,593		731,250
Commercial Metals Company	4.875		05/15/23		1,500,000		1,502,737		1,432,500
Commercial Vehicle Group									
Inc.	7.875		04/15/19		989,000		1,012,577		1,021,142
CVR Refining LLC	6.500		11/01/22		650,000		629,724		617,500
Dana Holding Corporation	5.500		12/15/24		551,000		551,000		556,510
Ferrellgas Partners, L.P	6.750		01/15/22		465,000		465,000		454,538
First Data Corporation	11.750		08/15/21		650,000		650,000		745,875
Forum Energy Technologies	6.250		10/01/21		325,000		325,000		305,500
Headwaters, Inc.	7.625		04/01/19		850,000		850,148		886,125

HCA Holdings, Inc.	3.750	03/15/19	1,000,000	1,000,000	1,001,250
Hilton Worldwide Holdings,					
LLC	5.625	10/15/21	1,000,000	1,000,000	1,045,000
Hornbeck Offshore Services,					
Inc.	5.000	03/01/21	500,000	500,000	410,000
Huntington Ingalls Industries	7.125	03/15/21	750,000	772,776	810,000
Icahn Enterprises L.P.	4.875	03/15/19	970,000	970,000	967,575

See Notes to Consolidated Financial Statements

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

Corporate Public Securities: (A)	Interest	Maturity	Shares or Principal				Market	
(Continued)	Rate	Date	Amount	Co	est	Va	lue	
Icahn Enterprises L.P. Lamar Media Corp. Lear Corporation	0.060 5.375 4.750	% 08/01/20 01/15/24 01/15/23	\$ 1,150,000 320,000 750,000	\$	1,170,138 320,000 736,378	\$	1,184,730 329,600 748,125	
Lennar Corporation Magnum Hunter Resources, Corp. MarkWest Energy Partners, L.P.	4.750 9.750 4.875	11/15/22 05/15/20 12/01/24	750,000 1,500,000 1,000,000		740,092 1,561,408 1,000,000		735,000 1,185,000 977,500	
Meritor, Inc. Meritor, Inc. Nielsen Finance LLC	6.750 7.875 4.500	06/15/21 03/01/26 10/01/20	1,000,000 669,000 1,000,000		1,000,000 663,403 1,000,000		1,045,000 1,101,759 1,005,000	
NRG Energy, Inc. Oasis Petroleum Inc. Omnova Solutions, Inc.	6.250 6.875 7.875	07/15/22 03/15/22 11/01/18	1,000,000 1,000,000 1,200,000		1,000,000 1,000,000		1,022,500 910,000	
Perry Ellis International, Inc. Precision Drilling Corporation	7.875 6.625	04/01/19 11/15/20	750,000 750,000		1,215,751 744,785 767,687		1,212,000 768,750 675,000	
Regency Energy Partners LP Rosetta Resources Inc. Select Medical Corporation	5.875 5.875 6.375	03/01/22 06/01/22 06/01/21	835,000 1,000,000 650,000		822,425 1,000,000 658,848		832,913 900,000 659,750	
Sprint Corporation Stone Energy Corporation Tesoro Logistics LP	7.125 7.500 5.875	06/15/24 11/15/22 10/01/20	315,000 1,000,000 783,000		315,000 1,027,247 798,288		292,950 860,000 784,958	
T-Mobile USA Inc. Tronox Finance LLC	6.375 6.375 6.625	03/01/25 08/15/20	1,000,000 750,000		1,000,000 734,901		1,016,000 751,875	
Unit Corporation WPX Energy, Inc. Xerium Technologies, Inc. Total Bonds	5.250 8.875	05/15/21 09/15/24 06/15/18	1,000,000 925,000 831,000		990,221 925,000 863,117 49,430,320		895,000 860,250 873,069 48,767,449	
Common Stock - 0.34% Chase Packaging Corporation Nortek, Inc. Supreme Industries, Inc. (B) Total Common Stock			9,541 175 131,371	\$	1 267,319 267,320	\$	525 14,232 927,479 942,236	
Total Corporate Public Securities				\$	52,180,609	\$	51,922,909	

See Notes to Consolidated Financial Statements

2014 Annual Report

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

	Interest	Maturity	Principal		Fair
Corporate Public Securities: (A)					
(Continued)	Rate/Yield	^ Date	Amount	Cost	Value
Short-Term Securities:					
Commercial Paper - 5.92%					
Ameren Corporation	0.480	%01/15/15	\$4,000,000	\$3,999,253	\$3,999,253
PPG Industries, Inc.	0.520	01/26/15	4,500,000	4,498,375	4,498,375
Ryder System, Inc.	0.420	01/05/15	4,100,000	4,099,809	4,099,809
South Carolina Electric & Gas Company	0.430	01/06/15	4,000,000	3,999,761	3,999,761
Total Short-Term Securities				\$16,597,198	\$16,597,198
Total Investments	109.71	%		\$306,165,090	\$307,343,435
Other Assets	5.54				15,517,129
Liabilities	(15.25)			(42,730,300)
Total Net Assets	100.00	%			\$280,130,264

- (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 December 31, 2014, the value of these securities amounted to \$186,055,909 or 66.42% of net assets.
- ^ Effective yield at purchase
- PIK Payment-in-kind

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December 31, 2014

Industry Classification:	ir Value/ arket Value		Value/ set Value
AEROSPACE - 2.88%		BROADCASTING & ENTERTAINMENT - 1	.40%
AAR Corporation	\$ 2,160,000	HOP Entertainment LLC \$	-
Alliant Techsystems Inc.	1,007,500	Lamar Media Corp.	329,600
Merex Holding Corporation	1,621,963	Money Mailer	2,569,146
Moog Inc.	517,387	Sundance Investco LLC	-
Whiteraft Holdings, Inc.	2,770,801	Unitymedia KabelBW GmbH	1,032,500
5 7	8,077,651	•	3,931,246
		BUILDINGS & REAL ESTATE	
AUTOMOBILE - 8.01%		- 3.90%	
Accuride Corp	1,545,000	ACP Cascade Holdings LLC	_
American Axle & Manufacturing,		· ·	
Inc.	244,800	Hovnanian Enterprises, Inc.	1,035,000
Avis Budget Car Rental	817,500	Lennar Corporation	735,000
CG Holdings Manufacturing			
Company	3,963,587	Pearlman Enterprises, Inc.	1,778,100
Chrysler Group, LLC	895,882	Ply Gem Industries, Inc.	930,000
		Safway Group Holding	
Commercial Vehicle Group Inc.	1,021,142	LLC/Finance Corporation	475,000
		Sunrise Windows Holding	
Dana Holding Corporation	556,510	Company	3,641,053
DPL Holding Corporation	4,182,667	TruStile Doors, Inc.	318,043
Grakon Parent	3,490,567	William Lyon Homes	1,010,000
Ideal Tridon Holdings, Inc.	613,634	Woodside Homes Company, LLC	995,000
International Automotive			
Component	1,042,500		10,917,196
J A C Holding Enterprises, Inc.	693,540	CHEMICAL, PLASTICS & RUBBER - 3.20%	
K & N Parent, Inc.	470,280	Capital Specialty Plastics, Inc.	1,531,219
Lear Corporation	748,125	Cornerstone Chemical Company	765,000
Meritor, Inc.	2,146,759	INEOS Group Holdings PLC	459,538
	22,432,493	Nicoat Acquisitions LLC	1,830,030
BEVERAGE, DRUG & FOOD -			
7.59%		Omnova Solutions, Inc.	1,212,000
1492 Acquisition LLC	1,839,066	Polytex Holdings LLC	2,426,257
Eatem Holding Company	3,747,217	Tronox Finance LLC	751,875
F F C Holding Corporation	636,196		8,975,919
GenNx Novel Holding, Inc.	3,427,273	CONSUMER PRODUCTS - 10.12%	
Golden County Foods Holding,			
Inc.	-	AMS Holding LLC	695,242
Hospitality Mints Holding	• • • • • • • • • • • • • • • • • • • •	Bravo Sports Holding	• • • • • • • • • • • • • • • • • • • •
Company	2,299,198	Corporation	2,304,998
Impact Confections	2,615,262	Clearwater Paper Corporation	731,250
JBS USA Holdings, Inc.	776,625	Custom Engineered Wheels, Inc.	771,084

JMH Investors LLC	2,496,398	gloProfessional Holdings, Inc.	3,206,193
KeHE Distributors, LLC	1,062,500	GTI Holding Company	1,670,615
Pinnacle Operating Corporation	1,030,000	Handi Quilter Holding Company	3,478,295
Spartan Foods Holding Company	1,335,946	HHI Group, LLC	3,217,039
	21,265,681	K N B Holdings Corporation	181,188
		Manhattan Beachwear Holding	
		Company	3,255,086

See Notes to Consolidated Financial Statements

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

Industry Classification: (Continued)	Fair Value/ Market Value		Fair Value/ Market Value
NXP BV/NXP Funding LLC Perry Ellis International, Inc. Prestige Brands Holdings, Inc. R A J Manufacturing Holdings	\$ 1,500,000 768,750 1,326,375 941,226	O E C Holding Corporation PPG Industries, Inc. Strahman Holdings Inc Truck Bodies & Equipment	\$ 1,436,529 4,498,375 2,369,628 2,641,086
LLC Tranzonic Holdings LLC Xerium Technologies, Inc.	3,416,999 873,069	International DIVERSIFIED/CONGLOMERATE, SERVICE - 7.83%	32,383,565
CONTAINERS, PACKAGING & GLASS - 1.43%	28,337,409	A S C Group, Inc. A W X Holdings Corporation	2,741,674 367,500
Beverage Packaging Holdings Chase Packaging Corporation Page Type Ladvettice Ladvettice	711,750 525	ADT Corporation Advanced Technologies Holdings Church Services Holding Company	1,027,500 1,026,465
Paperworks Industries, Inc. Rose City Holding Company SMB Machinery Holdings, Inc.	1,000,000 273,810 1,448,710	Church Services Holding Company Clough, Harbour and Associates Crane Rental Corporation	1,559,583 502,917 1,611,246
Vitex Packaging Group, Inc. DISTRIBUTION - 4.56%	566,783 4,001,578	EPM Holding Company Hilton Worldwide Holdings, LLC Hub International Ltd.	1,295,164 1,045,000 995,000
ARI Holding Corporation Blue Wave Products, Inc.	4,234,517 1,743,599	HVAC Holdings, Inc. Insurance Claims Management, Inc.	3,254,396 523,696
BP SCI LLC HD Supply, Inc. Signature Systems Holdings	958,326 269,638 2,359,169	Mail Communications Group, Inc. Northwest Mailing Services, Inc. Onex Corporation	418,527 604,157 352,000
Company WP Supply Holding	3,209,149	PPC Event Services	2,622,883
Corporation DIVERSIFIED/CONGLOMERATE,	12,774,398	Roofing Supply Safety Infrastructure Solutions	747,892 474,633
MANUFACTURING - 11.56% Advanced Manufacturing	3,152,580	Sirius XM Radio Inc.	772,500 21,942,733
Enterprises LLC Amsted Industries Arrow Tru-Line Holdings, Inc. CTP Transportation Products	505,700 312,809 669,925	ELECTRONICS - 0.87% Anixter, Inc. Belden Inc.	421,000
CTP Transportation Products, LLC Dunn Paper	3,472,281	Connecticut Electric, Inc.	393,600 1,628,314
F G I Equity LLC G C Holdings	1,285,065 351,591 3,047,579	FINANCIAL SERVICES - 4.28% Ally Financial, Inc.	2,442,914 1,717,942

Hartland Controls Holding

Corporation

Hi-Rel Group LLC	2,096,470	Alta Mesa Financial Services	636,610
Janus Group Holdings LLC	3,610,103	Ashtead Group plc	409,063
J.B. Poindexter Co., Inc.	1,080,000	Braskem Finance Ltd.	817,038
K P I Holdings, Inc.	889,612	CIT Group Inc.	997,500
Mustang Merger Corporation	950,000	Consolidated Energy Finance S.A.	925,693
Nortek, Inc.	14,232	Harron Communications, L.P.	545,000

See Notes to Consolidated Financial Statements

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) December $31,\,2014$

Industry Classification: (Continued)	Fair Value/ Market Value		Fair Value/ Market Value		
Icahn Enterprises L.P. Jurassic Holdings III Inc LBC Tank Terminals Holding Netherlands B.V.	\$ 2,152,305 930,000 1,321,575	NetShape Technologies, Inc. Supreme Industries, Inc. Welltec A/S	\$ 2,438,274 927,479 697,500		
Nielsen Finance LLC REVSpring, Inc.	1,005,000 537,556	MEDICAL DEVICES/BIOTECH - 0.54%	12,699,964		
HEALTHCARE, EDUCATION & 07.67%	11,995,282 CHILDCARE -	ETEX Corporation Mallinckrodt PLC	1,027,500		
American Hospice Management Holding LLC	2,511,184	MedSystems Holdings LLC	490,708		
CHG Alternative Education Holding Company	3,204,859	MicroGroup, Inc.	-		
ECG Consulting Group ERG Holding Company LLC	2,778,989 2,088,112	TherOX, Inc.	1,518,208		
GD Dental Services LLC Healthcare Direct Holding	313,636 2,475,660	MINING, STEEL, IRON & NON-PR METALS - 0.87%	RECIOUS		
Company HCA Holdings, Inc. Kindred Escrow Corp. II	1,001,250 1,076,250	Commercial Metals Company Murray Energy Corporation	1,432,500 1,000,000		
Select Medical Corporation Synarc-BioCore Holdings, LLC	659,750 873,750	NATURAL RESOURCES - 0.63%	2,432,500		
Synteract Holdings Corporation	3,968,704	Caelus Energy Alaska, LLC	875,000		
Touchstone Health Partnership Wheaton Holding Corporation	523,305	Headwaters, Inc.	886,125 1,761,125		
HOME & OFFICE FURNISHINGS	21,475,449 , HOUSEWARES	OIL & GAS - 8.76% American Energy - Marcellus, 176,90 LLC			
& DURABLE CONSUMER PROD	UCTS - 1.25%	American Energy – Permian Basin, LLC	709,275		
Airxcel Holdings	3,495,430	American Energy – Woodford Holdings, LLC	263,680		
Transpac Holding Company Wellborn Forest Holding Company	-	Antero Resources Corporation Avantech Testing Services LLC	774,000 1,733,752		
LEISURE, AMUSEMENT & ENTE	3,495,430 ERTAINMENT -	Bonanza Creek Energy, Inc. California Resources Corporation	790,000 819,650		
1.17/0					

CTM Holding, Inc.	3,188,534	Calumet Specialty Products	925,000
-		Partners L.P.	
		Cimarex Energy Co.	1,040,000
MACHINERY - 4.53%		CITGO Petroleum Corporation	938,875
ABC Industries, Inc.	1,064,533	CVR Refining LLC	617,500
Arch Global Precision LLC	3,282,228	Exopack LLC	1,030,000
E S P Holdco, Inc.	592,373	Forum Energy Technologies	305,500
Milacron Financial	510,000	Hercules Offshore, Inc.	460,000
Motion Controls Holdings	3,187,577	Hilcorp Energy Company	1,168,625
M V I Holding, Inc.	-	Hornbeck Offshore Services, Inc.	410,000

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

Industry Classification: (Continued)	Fair Value/ Market Value			Value/ ket Value
Jupiter Resources Inc.	\$ 752,500	TELECOMMUNICATIONS - 1.93%		
Magnum Hunter Resources, Corp.	1,185,000	All Current Holding Company	\$	511,162
MarkWest Energy Partners, L.P.	977,500	Altice S.A.		1,001,875
MEG Energy Corporation	905,000	CCO Holdings Capital Corporation		780,375
Memorial Production Partners L.P	760,000	Commscope Holdings Inc.		515,000
Niska Gas Storage Partners LLC	752,500	Sprint Corporation		292,950
Oasis Petroleum Inc.	910,000	T-Mobile USA Inc.		1,016,000
Petroplex Inv Holdings LLC	408,543	Univision Communications, Inc.		328,250
Precision Drilling Corporation	675,000	West Corporation		957,500
Regency Energy Partners LP	832,913	-		5,403,112
Rosetta Resources Inc.	900,000	TRANSPORTATION - 5.29%		
Stone Energy Corporation	860,000	Huntington Ingalls Industries		1,827,500
Teine Energy Ltd.	693,000	Kenan Advantage Group, Inc.		1,030,000
Unit Corporation	895,000	MNX Holding Company		2,879,577
WPX Energy, Inc.	860,250	NABCO, Inc.		-
	24,529,969	Ryder System, Inc.		4,099,809
PHARMACEUTICALS - 2.99%		Tesoro Logistics LP		784,958
Clarion Brands Holding Corp.	3,501,772	Topaz Marine S.A.		918,800
CorePharma LLC	1,065,557	VP Holding Company		1,793,453
Endo Finance LLC	980,000	Watco Companies, L.L.C.		990,000
Forest Laboratories, Inc.	1,911,408	XPO Logistics, Inc.		485,925
Valeant Pharmaceuticals	928,400			14,810,022
International				
	8,387,137	UTILITIES - 3.47%		
PUBLISHING/PRINTING - 0.32%		Ameren Corporation		3,999,253
Newark Group, Inc.	904,782	Calpine Corporation		708,750
		NRG Energy, Inc.		1,022,500
RETAIL STORES - 0.16%		South Carolina Electric & Gas		3,999,761
		Company		
Ferrellgas Partners, L.P	454,538			9,730,264
		WASTE MANAGEMENT/POLLUTI	ON - 1.7	
TECHNOLOGY - 0.80%		Aquilex Holdings LLC		287,568
Audatex North America, Inc.	451,203	MES Partners, Inc.		2,633,226
First Data Corporation	745,875	Torrent Group Holdings, Inc.		1,923,846
Smart Source Holdings LLC	1,032,618 2,229,696			4,844,640
		Total Investments - 109.71%	\$	307,343,435

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 fixed 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 (including high yield securities), other marketable debt 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

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 Trustees at least quarterly. The consolidated financial statements include private placement restricted securities valued at \$186,055,909 (66.42% of net assets) as of December 31, 2014 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 – Bank Loans, Corporate Bonds, Preferred Stocks and Common Stocks

The Trust uses external independent third-party pricing services to determine the fair values of its Corporate

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 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.

Public Securities. At December 31, 2014, 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, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 vendor's 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

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.

Quantitative Information about Level 3 Fair Value Measurements

The following table represents quantitative information about Level 3 fair value measurements as of December 31, 2014.

	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Corporate	Discounted Cash	Discount	8.0% to	12.8%
Bonds	Flows	Rate	16.1%	
Equity	Market	Valuation	4.5x to	7.5x
Securities	Approach	Multiple	11.6x	
		Discount for	0% to	3.1%
		lack of	24%	
		marketability		
			\$3.2	
			million	21.1
		EBITDA	to	million
			\$135.6 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.)

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.

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

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. A discount for lack of marketability is applied to the end result.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following is a summary of the inputs used to value the Trust's net assets as of December 31, 2014:

Assets:	Total		Le	evel 1	Level 2		Level 3	
Restricted Securities								
Corporate Bonds	\$	183,786,907	\$	-	\$	52,624,477	\$	131,162,430
Common Stock - U.S.		20,112,954		-		-		20,112,954
Preferred Stock		12,909,534		-		142,942		12,766,592
Partnerships and LLCs		22,013,933		-		-		22,013,933
Public Securities								
Bank Loans		2,213,224		-		2,213,224		-
Corporate Bonds		48,767,449		-		48,767,449		-
Common Stock - U.S.		942,236		942,236		-		-
Short-term Securities		16,597,198		-		16,597,198		-
Total	\$	307,343,435	\$	942,236	\$	120,345,290	\$	186,055,909

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

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

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

	Beginning						Tran	s Ferd ing
	balance	Included in				Tran	sterts	balance at
						into	of	
						Leve	lLeve	el
Assets:	at 12/31/2013	earnings	Purchases	Sales	Prepayments	3	3	12/31/2014
Restricted								
Securities								
Corporate								
Bonds	\$136,364,924	\$5,818,417	\$44,571,146	\$(20,501,551)	\$(35,090,506)	\$-	\$-	\$131,162,430
Common								
Stock - U.S.	23,299,991	8,329,499	3,126,274	(14,642,810)	-	-	-	20,112,954
Preferred								
Stock	14,778,114	1,900,956	2,952,135	(6,864,613)	-	-	-	12,766,592
Partnerships								
and LLCs	21,275,734	2,201,087	4,940,390	(6,403,278)	-	-	-	22,013,933
	\$195,718,763	\$18,249,959	\$55,589,945	\$(48,412,252)	\$(35,090,506)	\$-	\$-	\$186,055,909

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 for Level 3 assets:

	Net Increase in Net Assets Resulting from Operations		nge in Unrealized Gains t Assets from assets still held	
Interest (Amortization)	\$	665,766	\$ -	
Net realized loss on investments before taxes		12,794,596	-	
Net change in unrealized depreciation of investments before taxes.		4,789,597	4,852,796	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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.

The components of income taxes included in the consolidated Statement of Operations for the year ended December 31, 2014 were as follows:

Income tax expense (benefit)

Current:

 Federal
 \$ 736,835

 State
 50,103

 Total current
 786,938

Deferred:

undistributed and pay the Federal capital gains taxes thereon or distribute all or a portion of such net gains. In 2014, the fund incurred \$3,541,164 of tax as a result of retaining 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.

Net investment income and net realized gains or losses of the Trust as presented under U.S. GAAP may differ from distributable taxable earnings due to earnings from the CI Subsidiary Trust as well as certain permanent and temporary differences in the recognition of income and realized gains or losses on certain investments. Permanent differences will result in reclassifications to the capital accounts. In 2014, the Trust decreased undistributed net investment income by \$184,393, decreased accumulated net realized gains by \$8,406,814, increased retained net realized gain on investments by \$9,562,441 and decreased additional paid in capital by \$971,234 to more accurately display the Trust's capital financial position on a tax-basis in accordance with U.S. GAAP. These re-classifications had no impact on net asset value.