

# 2015

**Babson Capital**  
**CORPORATE INVESTORS**  
2015 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 22, 2016 at 1:00 P.M. in Springfield, Massachusetts.

## **PROXY VOTING POLICIES & PROCEDURES; PROXY VOTING RECORD**

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital. A description of Babson Capital's proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 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, 2015 is available (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 <http://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**

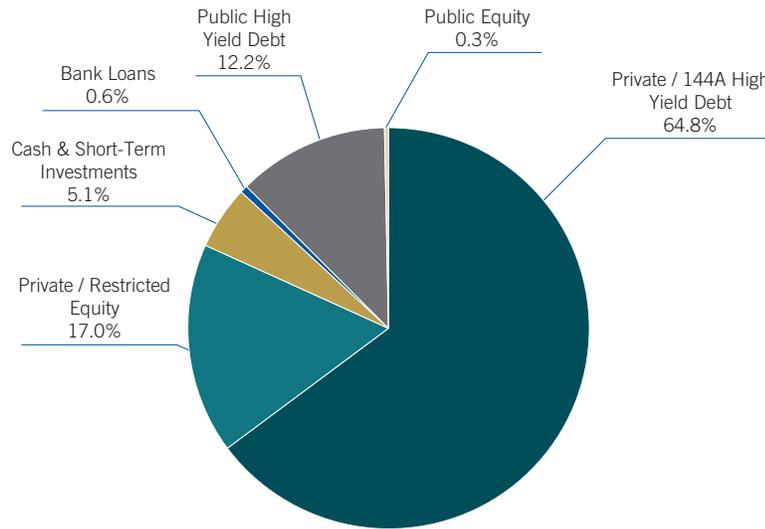
State Street Bank and Trust Company  
Boston, MA 02110

## **TRANSFER AGENT & REGISTRAR**

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

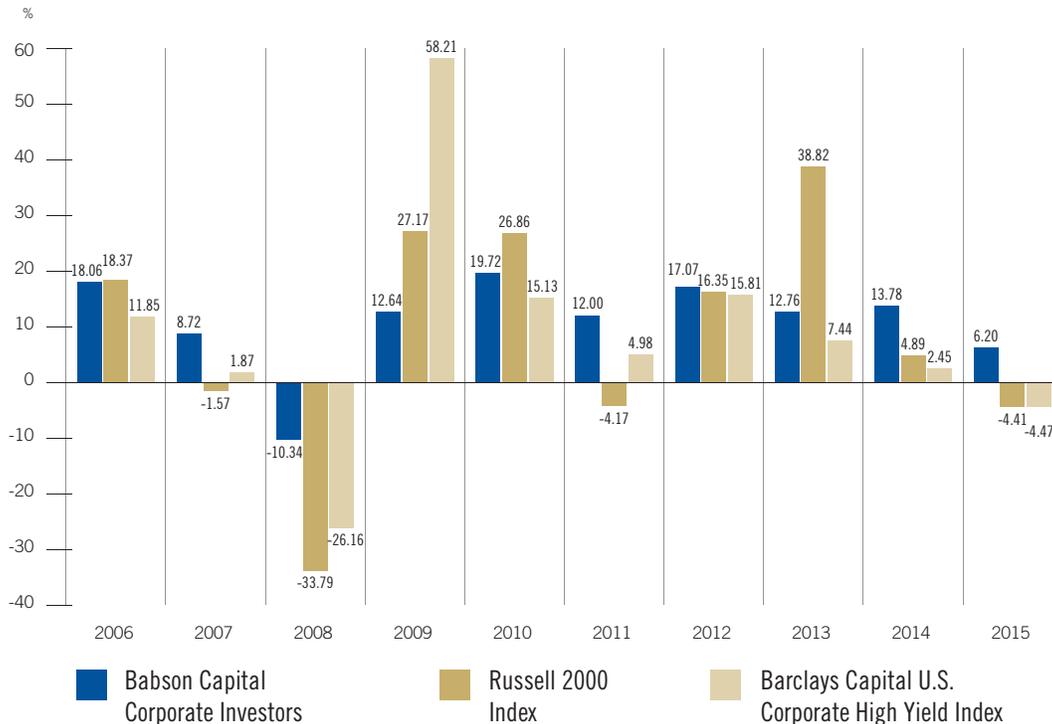


**PORTFOLIO COMPOSITION AS OF 12/31/15\***



\* Based on market value of total investments

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



\* Data for Babson Capital Corporate Investors (the "Trust") represents returns based on the change in the Trust's net asset value (net of all fees and expenses) assuming the reinvestment of all dividends and distributions. 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 of its shares outstanding (See page 11 for total investment return based on market value). Past performance is no guarantee of future results.

## TO OUR SHAREHOLDERS

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2015.

## PORTFOLIO PERFORMANCE

The Trust's net total portfolio rate of return for 2015 was 6.2%, as measured by the change in net asset value assuming the reinvestment of all dividends and distributions. The Trust's total net assets were \$275,915,289 or \$14.03 per share, as of December 31, 2015. This compares to \$280,130,264 or \$14.34 per share, as of December 31, 2014. The Trust paid a quarterly dividend of \$0.30 per share for each of the four quarters of 2015, for a total annual dividend of \$1.20 per share. In 2014, 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 2015 was \$1.06 per share, including approximately \$0.12 per share of non-recurring income, compared to 2014 net investment income of \$1.23 per share, which included approximately \$0.21 per share of non-recurring income.

The Trust's stock price increased 8.6% during 2015, from \$15.89 as of December 31, 2014 to \$17.25 as of December 31, 2015. The Trust's stock price of \$17.25 as of December 31, 2015 equates to a 23.0% premium over the December 31, 2015 net asset value per share of \$14.03. The Trust's average quarter-end premium for the 3-, 5-, 10- and 25-year periods ended December 31, 2015 was 10.1%, 16.2%, 12.9%, and 5.2%, 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, 2015 are provided for comparison purposes only.

	The Trust	Barclays Capital U.S. Corporate High Yield Index	Russell 2000 Index
1 Year	6.20%	-4.47%	-4.41%
3 Years	10.86%	1.69%	11.65%
5 Years	12.30%	5.04%	9.19%
10 Years	10.74%	6.69%	6.80%
25 Years	13.89%	9.00%	10.50%

Past performance is no guarantee of future results.

## PRIVATE PORTFOLIO ACTIVITY

In 2015, the Trust closed 20 new private placement investments, as well as four "add-on" investments in existing portfolio companies. The 20 new investments were in AFC – Dell Holding Corporation; Animal Supply Company; ASC Holdings, Inc.; Aurora Parts & Accessories LLC; BlueSpire Holding, Inc.; Compass Chemical International LLC; Eagle Family Foods, Inc.; FMH Holdings Corporation; GlynnDevins Acquisition Corporation; Hollandia Produce LLC; Kygen Company; Master Cutlery LLC; MC Sign Holdings LLC; Power Stop Holdings LLC; Randy's Worldwide Automotive; Sunvair Aerospace Group Inc.; Team Drive-Away Holdings LLC; Tristar Global Energy Solutions, Inc.; Westminster Acquisition LLC and York Wall Holding Company. In addition, the Trust added to existing private placement investments in Advanced Manufacturing Enterprises LLC; Hartland Controls Holding Corporation; Merex Holding Corporation and Strahman Holdings 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 \$55,820,480, which was up 7.7% from the \$51,852,942 of new private placement investments made by the Trust in 2014. We are pleased to have generated strong new investment volume for the Trust two years in a row.

The Trust's new investment activity in 2015 benefited from high levels of middle market merger and acquisition activity in the first half of the year, and a stable level of activity in the second half of the year. For the full year, middle market buyout volume was flat with 2014, but still at its highest level since 2007. The dark clouds on the horizon, though, continue to be the high purchase prices and leverage levels that have been common in buyout transactions for the last couple of years. Competition for new investment opportunities remains intense, as there continues to be an overabundance of private debt and equity capital looking to be invested. As a result, attractive companies are being aggressively pursued by both buyers and lenders alike. In 2014, average purchase price multiples for small companies were at their highest levels over the past 15 years. In 2015, to our amazement, average purchase price multiples actually increased another approximately 11% over the prior year and reached new record levels. Leverage multiples have also been worrisomely high for several years. Though 2015 leverage levels were flat with the prior year, they are still at their second highest level over the past 15 years.

Though we were very active investors on behalf of the Trust in both 2015 and 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 2015, 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 2015 was 4.3 times EBITDA, compared to the average market multiple of 5.3 times EBITDA. 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, though at a more moderate level than in 2014. We had more credit upgrades in the portfolio this year than downgrades (based on our internal credit rating system), 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 eight years.

We had 21 companies exit from the Trust's portfolio during 2015. This is a high level of exit activity for the Trust's portfolio, especially coming on top of the unprecedented 32 exits we experienced in 2014, and is another indicator of how active and aggressive the markets continued to be in 2015. In 18 of these exits, the Trust realized a positive return on its investment. These investments were: ASC Group, Inc.; All Current Holding Company; Arch Global Precision LLC; Arrow Tru-Line Holdings, Inc.; Bravo Sports Holding Corporation; Capital Specialty Plastics, Inc.; CorePharma LLC; Crane Rental Corporation; Eatem Holding Company; EPM Holding Company; MVI Holdings, Inc.; Nicoat Acquisitions LLC; RAJ Manufacturing Holdings LLC; Rose City Holding Company; Spartan Foods Holding Company; Truck Bodies & Equipment International; TruStile Doors, Inc.; and Wheaton Holding Corporation. Three long-standing troubled investments, American Hospice Management Holding LLC; Golden County Foods Holdings, Inc.; and MicroGroup, Inc., were realized in 2015 at a loss. The Trust also benefited from dividends associated with the recapitalizations of five companies during the year.

The level of refinancing activity in the portfolio in 2015 was thankfully down from the high level of refinancings we saw in 2014 and 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. Unless replaced by new investments, these prepayments reduce net investment income. During 2015, we had 15 portfolio companies fully or partially prepay their debt obligations to the Trust, compared to 20 such prepayments in 2014 and 32 in 2013.

The high 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 \$1.02 per share in 2014 to \$0.92 per share in 2015.

### **OUTLOOK FOR 2016**

We had a strong fourth quarter of 2015 in terms of new investment closings, and that has carried over into 2016. We have a healthy backlog of deal flow. Surveys of middle market financiers indicate that most expect 2016 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 2015, and that also is expected to continue into 2016. As a result, assuming economic conditions remain reasonably stable, we are optimistic about the outlook for new investment activity for the Trust in 2016. 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 capital 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 2015 for a total annual dividend of \$1.20 per share, we must make note again, as we did in last year's and the 2013 Annual Report, that this dividend level may not be sustainable throughout 2016. The Trust's net investment income per share, excluding non-recurring income, of \$0.92 per share in 2015 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 three years. Despite two years of robust new investment activity, we have not been able to grow the portfolio enough to offset this ongoing effect. 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 2015, the Trust earned \$0.12 per share of non-recurring income, mostly due to dividend distributions from the recapitalization of a few portfolio companies. In addition, the Trust received \$0.15 per share of income from CI Subsidiary Trust, a wholly-owned subsidiary of the Trust. This dividend represents income from investments held by CI Subsidiary Trust. This income has replenished the Trust's earnings carry-forwards 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 2016 we will have to reduce the dividend from the current \$0.30 per share quarterly rate. As we move through 2016, we and the Board of Trustees will continue to evaluate the current and future earnings capacity of the Trust and formulate a dividend strategy that is consistent with that earnings level.

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 22, 2016.

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.

2015 Dividends	Record Date	Total Paid	Ordinary Income	Short-Term Gains	Long-Term Gains
Regular	5/1/2015	0.3000	0.3000	-	-
Regular	8/3/2015	0.3000	0.3000	-	-
Regular	11/4/2015	0.3000	0.3000	-	-
Regular	12/31/2015	0.3000	0.3000	-	-
		1.2000	\$1.2000	\$0.0000	\$0.0000

Annual Dividend	Qualified for Dividend Received Deduction***		Qualified Dividends****		Interest Earned on U.S. Gov't. Obligations	
Amount per Share	Percent	Amount per Share	Percent	Amount per Share	Percent	Amount per Share
\$1.20	17.4323%	0.2087	17.4323%	0.2087	0%	0.0000

\*\*\* Not available to individual shareholders

\*\*\*\* Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2015

# BABSON CAPITAL CORPORATE INVESTORS

## **Financial Report**

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**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****December 31, 2015****Assets:**

## Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value

(Cost - \$191,533,740)

\$ 197,472,663

Corporate restricted securities at market value

(Cost - \$62,298,718)

57,921,887

Corporate public securities at market value

(Cost - \$46,363,532)

40,927,921

Short-term securities at amortized cost

6,897,822

Total investments (Cost - \$307,093,812)

303,220,293

Cash

8,927,472

Interest receivable

3,509,878

Other assets

66,194

**Total assets****315,723,837****Liabilities:**

Note payable

30,000,000

Dividend payable

5,899,411

Tax payable

1,390,232

Deferred tax liability

1,128,177

Investment advisory fee payable

862,235

Interest payable

202,400

Accrued expenses

326,093

**Total liabilities****39,808,548****Total net assets****\$275,915,289****Net Assets:**

Common shares, par value \$1.00 per share

\$ 19,664,704

Additional paid-in capital

111,417,865

Retained net realized gain on investments, prior years

143,724,071

Undistributed net investment gain

4,260,165

Accumulated net realized gain on investments

1,850,180

Net unrealized depreciation of investments

(5,001,696)

**Total net assets****\$275,915,289**

Common shares issued and outstanding (28,054,782 authorized)

**19,664,704**

Net asset value per share

**\$ 14.03**

See Notes to Consolidated Financial Statements

**CONSOLIDATED STATEMENT OF OPERATIONS****For the year ended December 31, 2015****Investment Income:**

Interest	\$ 25,338,871
Dividends	1,225,179
Other	<u>233,800</u>
<b>Total investment income</b>	<b><u>26,797,850</u></b>

**Expenses:**

Investment advisory fees	3,597,521
Interest	1,584,000
Trustees' fees and expenses	355,000
Professional fees	238,002
Reports to shareholders	98,000
Custodian fees	35,276
Other	<u>466,088</u>
<b>Total expenses</b>	<b><u>6,373,887</u></b>

<b>Investment income - net</b>	<b><u>20,423,963</u></b>
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**Net realized and unrealized loss on investments:**

Net realized gain on investments before taxes	2,863,085
Income tax expense	<u>(978,715)</u>
Net realized gain on investments after taxes	<u>1,884,370</u>
Net change in unrealized depreciation of investments before taxes	(5,051,864)
Net change in deferred income tax expense	<u>26,653</u>
Net change in unrealized depreciation of investments after taxes	<u>(5,025,211)</u>
<b>Net loss on investments</b>	<b><u>(3,140,841)</u></b>
<b>Net increase in net assets resulting from operations</b>	<b><u>\$17,283,122</u></b>

**CONSOLIDATED STATEMENT OF CASH FLOWS****For the year ended December 31, 2015**

Net decrease in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$ 9,719,366
Purchases of portfolio securities	(93,342,202)
Proceeds from disposition of portfolio securities	87,877,538
Interest, dividends and other income received	23,959,560
Interest expense paid	(1,584,000)
Operating expenses paid	(4,771,486)
Income taxes paid	<u>(3,931,601)</u>
<b>Net cash provided by operating activities</b>	<b><u>17,927,175</u></b>

Cash flows from financing activities:

Cash dividends paid from net investment income	(23,500,440)
Receipts for shares issued on reinvestment of dividends	<u>2,041,729</u>
<b>Net cash used for financing activities</b>	<b><u>(21,458,711)</u></b>

<b>Net decrease in cash</b>	<b>(3,531,536)</b>
Cash - beginning of year	<u>12,459,008</u>
<b>Cash - end of year</b>	<b><u>\$ 8,927,472</u></b>

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

<b>Net increase in net assets resulting from operations</b>	<b><u>\$ 17,283,122</u></b>
Decrease in investments	4,123,142
Increase in interest receivable	(669,096)
Increase in other assets	(28,567)
Decrease in receivable for investments sold	179,712
Decrease in tax payable	(2,952,886)
Decrease in deferred tax liability	(26,653)
Decrease in investment advisory fee payable	(13,172)
Increase in accrued expenses	<u>31,573</u>
<b>Total adjustments to net assets from operations</b>	<b><u>644,053</u></b>
<b>Net cash provided by operating activities</b>	<b><u>\$ 17,927,175</u></b>

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS****For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
(Decrease)/Increase in net assets:		
Operations:		
Investment income - net	\$ 20,423,963	\$ 23,984,946
Net realized gain on investments after taxes	1,884,370	8,854,438
Net change in unrealized depreciation of investments after taxes	<u>(5,025,211)</u>	<u>(84,222)</u>
Net increase in net assets resulting from operations	17,283,122	32,755,162
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2015 - 131,288; 2014 - 139,761)	2,041,729	2,065,868
Dividends to shareholders from:		
Net investment income (2015 - \$1.20 per share; 2014 - \$1.20 per share)	<u>(23,539,826)</u>	<u>(23,378,280)</u>
<b>Total (decrease) / increase in net assets</b>	<b>(4,214,975)</b>	<b>11,442,750</b>
<b>Net assets, beginning of year</b>	<b><u>280,130,264</u></b>	<b><u>268,687,514</u></b>
<b>Net assets, end of year</b> (including undistributed net investment income of \$4,260,165 and \$2,783,533, respectively)	<b><u>\$275,915,289</u></b>	<b><u>\$280,130,264</u></b>

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

	For the years ended December 31,				
	2015	2014	2013	2012	2011 (a)
Net asset value:					
Beginning of year	\$ 14.34	\$ 13.85	\$ 13.38	\$ 12.69	\$ 12.56
Net investment income (b)	1.04	1.23	1.18	1.28	1.29
Net realized and unrealized gain (loss) on investments	(0.16)	0.45	0.48	0.69	0.17
Total from investment operations	0.88	1.68	1.66	1.97	1.46
Dividends from net investment income to common shareholders	(1.20)	(1.20)	(1.20)	(1.25)	(1.34)
Dividends from realized gain on investments to common shareholders	-	-	-	(0.05)	(0.01)
Increase from dividends reinvested	0.01	0.01	0.01	0.02	0.02
Total dividends	(1.19)	(1.19)	(1.19)	(1.28)	(1.33)
Net asset value: End of year	\$ 14.03	\$ 14.34	\$ 13.85	\$ 13.38	\$ 12.69
Per share market value: End of year	\$ 17.25	\$ 15.89	\$ 14.93	\$ 15.28	\$ 17.99
Total investment return					
Net asset value (c)	6.20%	13.78%	12.76%	17.07%	12.00%
Market value (c)	17.01%	16.53%	5.93%	(7.11%)	27.92%
Net assets (in millions):					
End of year	\$ 275.92	\$ 280.13	\$ 268.69	\$ 257.38	\$ 241.94
Ratio of total expenses to average net assets	2.56%	3.66%	2.42%	3.17%	2.42%
Ratio of operating expenses to average net assets	1.67%	1.65%	1.64%	1.66%	1.62%
Ratio of interest expense to average net assets	0.55%	0.57%	0.59%	0.63%	0.64%
Ratio of income tax expense to average net assets (d)	0.34%	1.44%	0.19%	0.88%	0.16%
Ratio of net investment income to average net assets	7.12%	8.57%	8.50%	9.78%	9.91%
Portfolio turnover	29%	38%	34%	34%	21%
(a) Per share amounts were adjusted to reflect a 2:1 stock split effective February 18, 2011.					
(b) Calculated using average shares.					
(c) 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.					
(d) 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.					
Senior borrowings:					
Total principal amount (in millions)	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
Asset coverage per \$1,000 of indebtedness	\$ 10,197	\$ 10,338	\$ 9,956	\$ 9,579	\$ 9,065

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

December 31, 2015

Corporate Restricted Securities - 92.56%: (A)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Private Placement Investments - 71.57%: (C)</b>				
<b>1492 Acquisition LLC</b>				
A leading producer of premium Italian cured meats and deli meats in the U.S.				
14% Senior Subordinated Note due 10/17/2019	\$1,658,739	10/17/12	\$ 1,637,571	\$ 1,642,467
Limited Liability Company Unit Class A Preferred (B)	245 uts.	10/17/12	245,450	309,693
Limited Liability Company Unit Class A Common (B)	27,273 uts.	10/17/12	27,273	66,687
			<u>1,910,294</u>	<u>2,018,847</u>
<b>A W X Holdings Corporation</b>				
A provider of aerial equipment rental, sales and repair services to non-residential construction and maintenance contractors operating in the State of Indiana.				
10.5% Senior Secured Term Note due 12/20/2016 (D)	\$ 735,000	05/15/08	724,402	709,275
13% Senior Subordinated Note due 12/20/2016 (D)	\$ 735,000	05/15/08	673,096	-
Common Stock (B)	105,000 shs.	05/15/08	105,000	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	36,923 shs.	05/15/08	62,395	-
			<u>1,564,893</u>	<u>709,275</u>
<b>ABC Industries, Inc.</b>				
A manufacturer of mine and tunneling ventilation products in the U.S.				
13% Senior Subordinated Note due 07/31/2019	\$ 436,364	08/01/12	407,044	434,764
Preferred Stock Series A (B)	300,000 shs.	08/01/12	300,000	563,144
Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)	53,794 shs.	08/01/12	101,870	95,432
			<u>808,914</u>	<u>1,093,340</u>
<b>ACP Cascade Holdings LLC</b>				
A manufacturer and distributor of vinyl windows and patio doors throughout the northwestern United States.				
Limited Liability Company Unit Class B (B)	64 uts.	11/09/12	-	-
<b>Advanced Manufacturing Enterprises LLC</b>				
A designer and manufacturer of large, custom gearing products for a number of critical customer applications.				
Limited Liability Company Unit (B)	4,669 uts.	*	498,983	243,302

\* 12/07/12, 07/11/13 and 06/30/15.

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Advanced Technologies Holdings</b>				
A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	287 shs.	12/27/07	\$ 141,915	\$ 622,076
Convertible Preferred Stock Series B (B)	52 shs.	01/04/11	40,800	113,860
			<u>182,715</u>	<u>735,936</u>
<b>AFC - Dell Holding Corporation</b>				
A distributor and provider of inventory management services for "C-Parts" used by OEMs in their manufacturing and production facilities.				
12.5% Senior Subordinated Note due 09/27/2020	\$2,417,275	03/27/15	2,374,171	2,421,554
Preferred Stock (B)	2,276 shs.	03/27/15	227,558	229,284
Common Stock (B)	703 shs.	03/27/15	703	-
			<u>2,602,432</u>	<u>2,650,838</u>
<b>Airxcel Holdings</b>				
A leading manufacturer of a broad range of climate control solutions, including air-conditioners, heat pumps, cooking appliances, furnaces, powered vents, and water heaters.				
12.5% Senior Subordinated Note due 11/18/2020	\$2,966,307	11/18/14	2,915,774	2,881,074
Limited Liability Company Unit	583 uts.	11/18/14	583,000	514,503
			<u>3,498,774</u>	<u>3,395,577</u>
<b>AMS Holding LLC</b>				
A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.				
Limited Liability Company Unit Class A Preferred (B)	273 uts.	10/04/12	272,727	782,283
<b>Animal Supply Company</b>				
A distributor of pet products to independent pet stores, veterinary clients and other pet specialty retailers.				
10.5% Second Lien Term Loan due 09/17/2019	\$3,570,000	03/30/15	3,526,433	3,383,391
<b>ARI Holding Corporation</b>				
A leading national supplier of products used primarily by specialty contractors.				
11.5% Senior Subordinated Note due 02/01/2020	\$3,409,147	*	3,366,193	3,411,767
Limited Partnership Interest	1,048 uts.	08/01/14	1,047,900	1,165,470
			<u>4,414,093</u>	<u>4,577,237</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>ASC Holdings, Inc.</b>				
A manufacturer of capital equipment used by corrugated box manufacturers.				
13% Senior Subordinated Note due 05/18/2021	\$1,504,111	11/19/15	\$ 1,474,509	\$ 1,498,941
Limited Liability Company Unit (B)	225,300 uts.	11/18/15	225,300	225,300
			<u>1,699,809</u>	<u>1,724,241</u>
<b>Aurora Parts &amp; Accessories LLC</b>				
A distributor of aftermarket over-the-road semi-trailer parts and accessories sold to customers across North America.				
11% Senior Subordinated Note due 02/17/2022	\$3,074,700	08/17/15	3,016,715	3,030,295
Preferred Stock (B)	425 shs.	08/17/15	424,875	429,784
Common Stock (B)	425 shs.	08/17/15	425	12,792
			<u>3,442,015</u>	<u>3,472,871</u>
<b>Avantech Testing Services LLC</b>				
A manufacturer of custom Non-Destructive Testing ("NDT") systems and provider of NDT and inspections services primarily to the oil country tubular goods market.				
15% Senior Subordinated Note due 01/31/2020 (D)	\$1,015,684	07/31/14	996,694	-
Limited Liability Company Unit	92,327 uts.	*	-	-
* 07/31/14 and 10/14/15.			<u>996,694</u>	<u>-</u>
<b>Blue Wave Products, Inc.</b>				
A distributor of pool supplies.				
10% Senior Secured Term Note due 09/30/2018	\$ 491,489	10/12/12	486,230	491,489
13% Senior Subordinated Note due 09/30/2019	\$ 738,275	10/12/12	703,472	738,275
Common Stock (B)	114,894 shs.	10/12/12	114,894	383,882
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	45,486 shs.	10/12/12	45,486	151,977
			<u>1,350,082</u>	<u>1,765,623</u>
<b>BlueSpire Holding, Inc.</b>				
A marketing services firm that integrates strategy, technology, and content to deliver customized marketing solutions for clients in the senior living, financial services and healthcare end markets.				
12.5% Senior Subordinated Note due 06/30/2021	\$3,205,708	06/30/15	3,145,750	3,174,370
Common Stock (B)	2,876 shs.	06/30/15	318,200	276,168
			<u>3,463,950</u>	<u>3,450,538</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>BP SCI LLC</b>				
A leading value-added distributor of branded pipes, valves, and fittings (PVF) to diversified end markets.				
Limited Liability Company Unit Class A (B)	1,000 uts.	10/17/12	\$ 100,000	\$ 489,836
Limited Liability Company Unit Class B (B)	400 uts.	10/17/12	400,000	569,928
			<u>500,000</u>	<u>1,059,764</u>
<b>CG Holdings Manufacturing Company</b>				
A coating provider serving the automotive, agricultural, heavy truck and other end markets.				
13% Senior Subordinated Note 11/01/2019	\$3,390,252	*	3,250,977	3,424,155
Preferred Stock (B)	3,241 shs.	*	324,054	376,407
Preferred Stock (B)	1,174 shs.	*	116,929	136,376
Common Stock (B)	337 shs.	*	35,673	172,385
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	137 shs.	*	13,033	70,136
* 05/09/13 and 11/01/13.			<u>3,740,666</u>	<u>4,179,459</u>
<b>CHG Alternative Education Holding Company</b>				
A leading provider of publicly-funded, for profit pre-K-12 education services targeting special needs children at therapeutic day schools and "at risk" youth through alternative education programs.				
13.5% Senior Subordinated Note due 01/19/2018	\$2,304,323	01/19/11	2,252,724	2,304,323
14% Senior Subordinated Note due 08/03/2019	\$ 602,680	08/03/12	595,566	602,680
Common Stock (B)	1,125 shs.	01/19/11	112,500	153,800
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	884 shs.	01/19/11	87,750	120,896
			<u>3,048,540</u>	<u>3,181,699</u>
<b>Church Services Holding Company</b>				
A provider of diversified residential services to homeowners in the Houston, Dallas, and Austin markets.				
14.5% Senior Subordinated Note due 03/26/2018	\$ 569,950	03/26/12	560,630	529,908
10% Senior Subordinated Note due 09/15/2099	\$ 20,559	09/15/14	20,559	18,609
Common Stock (B)	3,981 shs.	*	398,100	101,820
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	172 shs.	03/26/12	17,220	4,399
* 03/26/12, 05/25/12 and 06/19/12.			<u>996,509</u>	<u>654,736</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

December 31, 2015

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Clarion Brands Holding Corp.</b>				
A portfolio of six over-the-counter (OTC) pharmaceutical brands whose products are used to treat tinnitus or ringing of the ear, excessive sweating, urinary tract infections, muscle pain, and skin conditions.				
12.5% Senior Subordinated Note due 04/01/2021	\$3,241,926	10/01/14	\$ 3,185,946	\$ 3,159,335
Common Stock (B)	3,182 shs.	10/01/14	318,182	142,307
			<u>3,504,128</u>	<u>3,301,642</u>
<b>Clough, Harbour and Associates</b>				
An engineering service firm that is located in Albany, NY.				
Preferred Stock (B)	277 shs.	12/02/08	276,900	1,102,594
<b>Compass Chemical International LLC</b>				
A manufacturer and supplier of standard and specialty formulated chemicals, primarily phosphoric acid derivatives called phosphonates.				
13% Senior Subordinated Note due 10/4/2020	\$3,083,475	03/04/15	3,030,144	2,973,494
Limited Liability Company Unit (B)	467 uts.	03/04/15	466,700	469,973
			<u>3,496,844</u>	<u>3,443,467</u>
<b>Connecticut Electric, Inc.</b>				
A supplier and distributor of electrical products sold into the retail and wholesale markets.				
Limited Liability Company Unit Class A (B)	156,046 uts.	01/12/07	156,046	186,423
Limited Liability Company Unit Class C (B)	112,873 uts.	01/12/07	112,873	141,619
Limited Liability Company Unit Class D (B)	1,268,437 uts.	05/03/10	-	1,566,647
Limited Liability Company Unit Class E (B)	2,081 uts.	05/03/10	-	170,852
			<u>268,919</u>	<u>2,065,541</u>
<b>CTM Holding, Inc.</b>				
A leading owner and operator of coin-operated children's rides, penny presses and candy kiosks in the U.S.				
15% Senior Subordinated Note due 11/22/2019	\$2,517,388	11/22/13	2,482,123	2,453,296
Common Stock (B)	155 shs.	11/22/13	886,364	832,428
			<u>3,368,487</u>	<u>3,285,724</u>
<b>Custom Engineered Wheels, Inc.</b>				
A manufacturer of custom engineered, non-pneumatic plastic wheels and plastic tread cap tires used primarily for lawn and garden products and wheelchairs.				
Preferred Stock PIK (B)	296 shs.	10/26/09	295,550	489,149
Preferred Stock Series A (B)	216 shs.	10/27/09	197,152	357,391
Common Stock (B)	72 shs.	10/26/09	72,238	329,705
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	53 shs.	10/27/09	48,608	240,889
			<u>613,548</u>	<u>1,417,134</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>DPL Holding Corporation</b>				
A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.				
14% Senior Subordinated Note due 05/04/2019	\$3,302,948	05/04/12	\$ 3,266,013	\$ 3,280,441
Preferred Stock (B)	61 shs.	05/04/12	605,841	764,680
Common Stock (B)	61 shs.	05/04/12	67,316	157,854
			<u>3,939,170</u>	<u>4,202,975</u>
<b>Dunn Paper</b>				
A provider of specialty paper for niche product applications.				
Preferred Stock (B)	530 shs.	12/30/14	530,303	982,694
<b>Eagle Family Foods, Inc.</b>				
A producer of low-cost branded and private label canned milk.				
10.05% Last Out Term Loan due 06/30/2016	\$3,500,000	12/22/15	3,447,524	3,447,649
<b>ECG Consulting Group</b>				
A healthcare management consulting company who provides strategic, financial, operational, and technology related consulting services to healthcare providers.				
11.75% Senior Subordinated Note due 11/21/2020	\$2,646,892	11/21/14	2,595,189	2,699,830
Limited Liability Company Unit (B)	467 uts.	11/19/14	145,833	171,623
			<u>2,741,022</u>	<u>2,871,453</u>
<b>ERG Holding Company LLC</b>				
A provider of inpatient and outpatient clinical trial services to pharmaceutical companies and contract research organizations.				
13.5% Senior Subordinated Note due 10/04/2019	\$1,937,560	04/04/14	1,908,834	1,915,715
Common Stock (B)	63 shs.	04/04/14	157,314	169,911
			<u>2,066,148</u>	<u>2,085,626</u>
<b>E S P Holdco, Inc.</b>				
A manufacturer of power protection technology for commercial office equipment, primarily supplying the office equipment dealer network.				
Common Stock (B)	660 shs.	01/08/08	329,990	576,645

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

December 31, 2015

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>F F C Holding Corporation</b>				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
Limited Liability Company Unit Preferred (B)	512 uts.	09/27/10	\$ 175,035	\$ 218,423
Limited Liability Company Unit Common (B)	512 uts.	09/27/10	51,220	381,761
			<u>226,255</u>	<u>600,184</u>
<b>F G I Equity LLC</b>				
A manufacturer of a broad range of filters and related products that are used in commercial, light industrial, healthcare, gas turbine, nuclear, laboratory, clean room, hotel, educational system, and food processing settings.				
Limited Liability Company Unit Preferred (B)	483,355 uts.	04/15/14	-	483,355
Limited Liability Company Unit Class B-1 (B)	394,737 uts.	12/15/10	394,737	885,721
Limited Liability Company Unit Class B-2 (B)	49,488 uts.	12/15/10	49,488	111,042
Limited Liability Company Unit Class B-3 (B)	39,130 uts.	08/30/12	90,000	97,976
Limited Liability Company Unit Class C (B)	9,449 uts.	12/20/10	96,056	178,871
			<u>630,281</u>	<u>1,756,965</u>
<b>FMH Holdings Corporation</b>				
A designer and manufacturer of highly engineered components for the aerospace, defense and space industries.				
11.5% Senior Subordinated Note due 11/01/2020	\$ 2,929,728	05/01/15	2,877,521	2,988,323
Common Stock (B)	300 shs.	05/01/15	300,485	450,761
			<u>3,178,006</u>	<u>3,439,084</u>
<b>G C Holdings</b>				
A leading manufacturer of gaming tickets, industrial recording charts, security-enabled point-of sale receipts, and medical charts and supplies.				
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	594 shs.	10/19/10	140,875	366,168
<b>GD Dental Services LLC</b>				
A provider of convenient "onestop" general, specialty, and cosmetic dental services with 21 offices located throughout South and Central Florida.				
Limited Liability Company Unit Preferred (B)	182 uts.	10/05/12	182,209	223,496
Limited Liability Company Unit Common (B)	1,840 uts.	10/05/12	1,840	129,615
			<u>184,049</u>	<u>353,111</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>GenNx Novel Holding, Inc.</b>				
A manufacturer and distributor of nutraceutical ingredients.				
13% Senior Subordinated Note due 03/27/2020	\$3,234,040	03/27/14	\$ 3,184,275	\$ 3,163,152
Common Stock (B)	31,500 shs.	03/27/14	315,000	306,127
			<u>3,499,275</u>	<u>3,469,279</u>
<b>gloProfessional Holdings, Inc.</b>				
A marketer and distributor of premium mineral-based cosmetics, cosmeceuticals and professional hair care products to the professional spa and physician's office channels.				
14% Senior Subordinated Note due 03/27/2019	\$2,870,212	03/27/13	2,835,306	2,763,561
Common Stock (B)	2,835 shs.	03/27/13	283,465	298,802
			<u>3,118,771</u>	<u>3,062,363</u>
<b>GlynnDevins Acquisition Corporation</b>				
A marketing communications agency that service senior living facilities.				
13% Senior Subordinated Note due 12/19/2020	\$1,600,610	06/19/15	1,571,079	1,581,065
Preferred Stock Series A (B)	695 shs.	06/19/15	143,414	146,644
Common Stock (B)	695 shs.	06/19/15	5,976	21,453
			<u>1,720,469</u>	<u>1,749,162</u>
<b>Grakon Parent</b>				
The leading designer and manufacturer of highly-engineered and customized LED and incandescent lighting systems for transportation-based markets.				
Common Stock (B)	355 shs.	10/31/14	354,730	463,084
<b>GTI Holding Company</b>				
A designer, developer, and marketer of precision specialty hand tools and handheld test instruments.				
12% Senior Subordinated Note due 02/05/2020	\$1,455,729	02/05/14	1,377,045	1,400,649
Common Stock (B)	1,693 shs.	02/05/14	169,271	183,804
Warrant, exercisable until 2024, to purchase common stock at \$.01 per share (B)	795 shs.	02/05/14	73,633	86,311
			<u>1,619,949</u>	<u>1,670,764</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

December 31, 2015

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Handi Quilter Holding Company</b>				
A designer and manufacturer of long-arm quilting machines and related components for the consumer quilting market.				
12% Senior Subordinated Note due 06/19/2021	\$2,916,667	12/19/14	\$ 2,864,794	\$ 2,834,799
Limited Liability Company Unit Preferred (B)	583 uts.	12/19/14	583,336	504,796
Limited Liability Company Unit Common Class A (B)	5,833 uts.	12/19/14	-	-
			<u>3,448,130</u>	<u>3,339,595</u>
<b>Hartland Controls Holding Corporation</b>				
A manufacturer and distributor of electronic and electromechanical components.				
14% Senior Subordinated Note due 08/14/2019	\$2,211,488	02/14/14	2,178,643	2,255,718
12% Senior Subordinated Note due 08/14/2019	\$ 875,000	06/22/15	867,151	868,932
Preferred Stock Series A (B)	2,452 shs.	02/14/14	245,217	251,950
Common Stock (B)	1,666 shs.	02/14/14	1,667	301,641
			<u>3,292,678</u>	<u>3,678,241</u>
<b>Healthcare Direct Holding Company</b>				
A direct-to-consumer marketer of discount dental plans.				
Common Stock (B)	1,552 shs.	03/09/12	155,172	278,339
<b>HHI Group, LLC</b>				
A developer, marketer, and distributor of hobby-grade radio control products.				
14% Senior Subordinated Note due 01/17/2020	\$3,168,100	01/17/14	3,121,639	3,124,961
Limited Liability Company Unit (B)	203 uts.	01/17/14	203,125	141,374
			<u>3,324,764</u>	<u>3,266,335</u>
<b>Hi-Rel Group LLC</b>				
A manufacturer and distributor of precision metal piece parts for the microelectronic packaging industry, serving the aerospace/defense, telecommunications, and medical end markets.				
12% Senior Subordinated Note due 03/15/2018	\$1,687,500	04/15/13	1,627,201	1,669,896
Limited Liability Company Unit (B)	563 uts.	04/15/13	562,500	685,382
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	89,224 shs.	04/15/13	77,625	110,453
			<u>2,267,326</u>	<u>2,465,731</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Hollandia Produce LLC</b>				
A hydroponic greenhouse producer of branded root vegetables.				
13.75% Senior Subordinated Note due 03/31/2021	\$2,625,000	12/30/15	\$ 2,572,541	\$ 2,627,796
<b>HOP Entertainment LLC</b>				
A provider of post production equipment and services to producers of television shows and motion pictures.				
Limited Liability Company Unit Class F (B)	89 uts.	10/14/11	-	-
Limited Liability Company Unit Class G (B)	215 uts.	10/14/11	-	-
Limited Liability Company Unit Class H (B)	89 uts.	10/14/11	-	-
Limited Liability Company Unit Class I (B)	89 uts.	10/14/11	-	-
			-	-
<b>Hospitality Mints Holding Company</b>				
A manufacturer of individually-wrapped imprinted promotional mints.				
12% Senior Subordinated Note due 08/19/2016	\$2,075,581	08/19/08	2,052,923	2,027,230
Common Stock (B)	474 shs.	08/19/08	474,419	46,705
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	123 shs.	08/19/08	113,773	12,071
			2,641,115	2,086,006
<b>HVAC Holdings, Inc.</b>				
A provider of integrated energy efficiency services and maintenance programs for HVAC systems.				
12.5% Senior Subordinated Note due 09/27/2019	\$2,878,496	09/27/12	2,842,849	2,878,496
Limited Liability Company Unit Class A Preferred (B)	2,705 uts.	09/27/12	270,542	367,958
Limited Liability Company Unit Class A Common (B)	2,185 uts.	09/27/12	2,185	149,559
			3,115,576	3,396,013
<b>Ideal Tridon Holdings, Inc.</b>				
A designer and manufacturer of clamps and couplings used in automotive and industrial end markets.				
Common Stock	279 shs.	10/27/11	232,385	639,094

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

December 31, 2015

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Impact Confections</b>				
An independent manufacturer and marketer of confectionery products including Warheads® brand sour candies, Melster® brand classic candies, and co-manufactured/private label classic candies.				
13% Senior Subordinated Note due 11/10/2020	\$2,183,086	11/10/14	\$ 2,145,735	\$ 2,156,084
Common Stock (B)	4,667 shs.	11/10/14	466,667	340,630
			<u>2,612,402</u>	<u>2,496,714</u>
<b>Insurance Claims Management, Inc.</b>				
A third party administrator providing auto and property claim administration services for insurance companies.				
Common Stock (B)	89 shs.	02/27/07	2,689	382,240
<b>J A C Holding Enterprises, Inc.</b>				
A supplier of luggage racks and accessories to the original equipment manufacturers.				
Preferred Stock A (B)	495 shs.	12/20/10	495,000	811,504
Preferred Stock B (B)	0.17 shs.	12/20/10	-	274
Common Stock	100 shs.	12/20/10	5,000	-
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share	36 shs.	12/20/10	316,931	244,235
			<u>816,931</u>	<u>1,056,013</u>
<b>Janus Group Holdings LLC</b>				
A manufacturer of roll-up doors and hallway systems that are primarily used in self-storage facilities.				
13.5% Senior Subordinated Note due 06/10/2019	\$2,214,946	12/11/13	2,183,454	2,237,095
Limited Liability Company Unit Class A (B)	565 uts.	12/11/13	1,223,588	1,544,621
			<u>3,407,042</u>	<u>3,781,716</u>
<b>JMH Investors LLC</b>				
A developer and manufacturer of custom formulations for a wide variety of foods.				
14.25% Senior Subordinated Note due 12/05/2019	\$2,655,125	12/05/12	2,621,376	2,259,117
Limited Liability Company Unit (B)	2,493,253 uts.	12/05/12	557,301	80,689
			<u>3,178,677</u>	<u>2,339,806</u>
<b>K &amp; N Parent, Inc.</b>				
A manufacturer and supplier of automotive aftermarket performance air filters and intake systems.				
Preferred Stock Series A	305 shs.	12/23/11	-	-
Preferred Stock Series B	86 shs.	12/23/11	-	-
Common Stock	489 shs.	*	19,565	392,915
			<u>19,565</u>	<u>392,915</u>

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

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>K N B Holdings Corporation</b>				
A designer, manufacturer and marketer of products for the custom framing market.				
Common Stock (B)	134,210 shs.	05/24/06	\$ 134,210	\$ 169,912
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	82,357 shs.	05/25/06	71,534	104,265
			<u>205,744</u>	<u>274,177</u>
<b>K P I Holdings, Inc.</b>				
The largest player in the U.S. non-automotive, non-ferrous die casting segment.				
Limited Liability Company Unit Class C Preferred (B)	75 uts.	06/30/15	-	134,835
Common Stock (B)	667 shs.	07/15/08	539,502	890,972
			<u>539,502</u>	<u>1,025,807</u>
<b>Kyjen Company</b>				
A designer and distributor of branded and private label dog toys and accessories primarily in the U.S.				
13% Senior Subordinated Note due 10/14/2021	\$2,630,542	10/14/15	2,579,301	2,603,198
<b>Mail Communications Group, Inc.</b>				
A provider of mail processing and handling services, lettershop services, and commercial printing services.				
Limited Liability Company Unit	24,109 uts.	*	314,464	503,939
Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)	3,375 shs.	05/04/07	43,031	70,546
* 05/04/07 and 01/02/08.			<u>357,495</u>	<u>574,485</u>
<b>Manhattan Beachwear Holding Company</b>				
A designer and distributor of women's swimwear.				
12.5% Senior Subordinated Note due 01/15/2018	\$1,259,914	01/15/10	1,199,446	1,188,803
15% Senior Subordinated Note due 01/15/2018	\$ 350,094	10/05/10	347,610	317,183
Common Stock (B)	106 shs.	10/05/10	106,200	156,574
Common Stock Class B (B)	353 shs.	01/15/10	352,941	520,352
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	312 shs.	10/05/10	283,738	460,509
			<u>2,289,935</u>	<u>2,643,421</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Master Cutlery LLC</b>				
A designer and marketer of a wide assortment of knives and swords.				
13% Senior Subordinated Note due 04/17/2020	\$1,762,848	04/17/15	\$ 1,743,839	\$ 1,734,447
Limited Liability Company Unit	9 uts.	04/17/15	1,356,658	967,179
			<u>3,100,497</u>	<u>2,701,626</u>
<b>MC Sign Holdings LLC</b>				
A provider of sign and lighting services nationwide.				
11.75% Senior Subordinated Note due 09/15/2021	\$1,547,285	09/22/15	1,517,401	1,532,719
Limited Liability Company Unit Class B (B)	205,900 uts.	09/22/15	205,900	189,428
			<u>1,723,301</u>	<u>1,722,147</u>
<b>MedSystems Holdings LLC</b>				
A manufacturer of enteral feeding products, such as feeding tubes and other products related to assisted feeding.				
Preferred Unit (B)	126 uts.	08/29/08	87,177	174,841
Common Unit Class A (B)	1,268 uts.	08/29/08	1,268	354,091
Common Unit Class B (B)	497 uts.	08/29/08	120,064	138,908
			<u>208,509</u>	<u>667,840</u>
<b>Merex Holding Corporation</b>				
A provider of after-market spare parts and components, as well as Maintenance, Repair and Overhaul services for "out of production" or "legacy" aerospace and defense systems that are no longer effectively supported by the original equipment manufacturers.				
16% Senior Subordinated Note due 10/30/2019	\$1,362,886	09/22/11	1,347,188	1,303,046
15% Senior Subordinated Note due 04/30/2022	\$ 71,517	08/18/15	71,517	64,365
Limited Liability Company Unit Series A (B)	684 uts.	05/07/14	44,281	8,803
Limited Liability Company Unit Series B (B)	467,833 uts.	09/22/11	467,833	121,543
Common Stock Class A	5,578 shs.	08/18/15	-	71,759
			<u>1,930,819</u>	<u>1,569,516</u>
<b>MES Partners, Inc.</b>				
An industrial service business offering an array of cleaning and environmental services to the Gulf Coast region of the U.S.				
12% Senior Subordinated Note due 09/30/2021	\$2,223,036	09/30/14	2,184,503	2,211,196
Common Stock Class B (B)	445,455 shs.	09/30/14	445,455	468,323
			<u>2,629,958</u>	<u>2,679,519</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>MNX Holding Company</b>				
An international third party logistics company providing customized logistics services to customers across the globe.				
14% Senior Subordinated Note due 11/02/2019	\$3,081,349	11/02/12	\$ 3,042,818	\$ 3,072,331
Common Stock (B)	107 shs.	11/02/12	107,143	84,012
			<u>3,149,961</u>	<u>3,156,343</u>
<b>Money Mailer</b>				
A leading provider of hyperlocal shared direct mail advertising as well as interactive and online advertising solutions through its nationwide production and distribution network.				
Preferred Stock	2,704,364 shs.	12/10/14	2,663,799	2,704,364
<b>Motion Controls Holdings</b>				
A manufacturer of high performance mechanical motion control and linkage products.				
14.25% Senior Subordinated Note due 08/15/2020	\$2,975,149	11/30/10	2,949,002	2,975,149
Limited Liability Company Unit Class B-1 (B)	225,000 uts.	11/30/10	-	290,661
Limited Liability Company Unit Class B-2 (B)	20,403 uts.	11/30/10	-	26,357
			<u>2,949,002</u>	<u>3,292,167</u>
<b>NABCO, Inc.</b>				
A producer of explosive containment vessels in the United States.				
Common Stock (B)	809 shs.	12/20/12	578,174	409,370
<b>NetShape Technologies, Inc.</b>				
A manufacturer of powder metal and metal injection molded precision components used in industrial, consumer, and other applications.				
12% Senior Subordinated Note due 06/10/2020	\$1,530,000	02/02/07	1,528,882	1,419,581
Limited Partnership Interest of Saw Mill PCG Partners LLC (B)	2.73% int.	02/01/07	1,110,810	-
Limited Liability Company Unit Class D of Saw Mill PCG Partners LLC (B)	17 uts.	*	16,759	-
Limited Liability Company Unit Class D-1 of Saw Mill PCG Partners LLC (B)	229 uts.	09/30/09	228,858	-
Limited Liability Company Unit Class D-2 of Saw Mill PCG Partners LLC (B)	128 uts.	04/29/11	65,256	81,832
Limited Liability Company Unit Class D-3 of Saw Mill PCG Partners LLC (B)	196 uts.	12/10/14	196,263	198,026
* 12/18/08 and 09/30/09.			<u>3,146,828</u>	<u>1,699,439</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS** (CONTINUED)

December 31, 2015

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Northwest Mailing Services, Inc.</b>				
A producer of promotional materials for companies that use direct mail as part of their customer retention and loyalty programs.				
Limited Partnership Interest (B)	3,287 uts.	*	\$ 328,679	\$ 398,544
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	4,920 shs.	*	492,016	596,601
* 07/09/09 and 08/09/10.			<u>820,695</u>	<u>995,145</u>
<b>O E C Holding Corporation</b>				
A provider of elevator maintenance, repair and modernization services.				
Preferred Stock Series A (B)	1,661 shs.	06/04/10	166,062	243,066
Preferred Stock Series B (B)	934 shs.	06/04/10	93,376	-
Common Stock (B)	1,032 shs.	06/04/10	1,032	-
			<u>260,470</u>	<u>243,066</u>
<b>Pearlman Enterprises, Inc.</b>				
A developer and distributor of tools, equipment, and supplies to the natural and engineered stone industry.				
Preferred Stock Series A (B)	2,334 shs.	05/22/09	111,508	2,334,350
Preferred Stock Series B (B)	13,334 shs.	05/22/09	547,872	79,160
Common Stock (B)	40,540 shs.	05/22/09	1,877,208	-
			<u>2,536,588</u>	<u>2,413,510</u>
<b>Petroplex Inv Holdings LLC</b>				
A leading provider of acidizing services to E&P customers in the Permian Basin.				
Limited Liability Company Unit	375,000 uts.	11/29/12	375,000	42,684
<b>Polytex Holdings LLC</b>				
A manufacturer of water based inks and related products serving primarily the wall covering market.				
13% Senior Subordinated Note due 01/31/2020	\$2,133,368	07/31/14	2,099,420	2,090,530
Limited Liability Company Unit	300,485 uts.	07/31/14	300,485	248,141
			<u>2,399,905</u>	<u>2,338,671</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Power Stop Holdings LLC</b>				
A supplier of performance upgrade aftermarket brake products.				
11% Senior Subordinated Note due 05/29/2022	\$3,266,800	05/29/15	\$ 3,207,019	\$ 3,254,919
Limited Liability Company Unit Preferred (B)	2,332 uts.	05/29/15	233,200	241,174
Limited Liability Company Unit Common (B)	2,332 uts.	05/29/15	-	73,736
			<u>3,440,219</u>	<u>3,569,829</u>
<b>PPC Event Services</b>				
A special event equipment rental business.				
14% Senior Subordinated Note due 05/20/2020	\$2,320,842	11/20/14	2,282,181	2,355,744
Limited Liability Company Unit (B)	7,000 uts.	11/20/14	350,000	729,253
			<u>2,632,181</u>	<u>3,084,997</u>
<b>Randy's Worldwide Automotive</b>				
A designer and distributor of automotive aftermarket parts.				
11.5% Senior Subordinated Note due 05/12/2021	\$2,304,719	05/12/15	2,263,567	2,262,316
Common Stock (B)	240 shs.	05/12/15	240,388	259,776
			<u>2,503,955</u>	<u>2,522,092</u>
<b>REVSpring, Inc.</b>				
A provider of accounts receivable management and revenue cycle management services to customers in the healthcare, financial and utility industries.				
Limited Liability Company Unit Class A (B)	40,643 uts.	*	406,432	760,178
* 10/21/11 and 08/03/12.				
<b>Safety Infrastructure Solutions</b>				
A provider of trench safety equipment to a diverse customer base across multiple end markets in Texas and the Southwestern United States.				
Preferred Stock (B)	6,294 shs.	03/30/12	251,758	346,297
Common Stock (B)	2,949 shs.	03/30/12	29,492	434,400
			<u>281,250</u>	<u>780,697</u>
<b>Signature Systems Holdings Company</b>				
A seller and installer of a variety of modular surfaces, industrial matting and related products used for ground protection.				
Common Stock (B)	181 shs.	03/15/13	181,221	511,240
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	74 shs.	03/15/13	67,958	208,846
			<u>249,179</u>	<u>720,086</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Smart Source Holdings LLC</b>				
A short-term computer rental company.				
Limited Liability Company Unit (B)	619 uts.	*	\$ 493,496	\$ 649,302
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	157 shs.	*	127,437	164,490
* 08/31/07 and 03/06/08.			<u>620,933</u>	<u>813,792</u>
<b>SMB Machinery Holdings, Inc.</b>				
A reseller of used, rebuilt and refurbished packaging and processing equipment, primarily serving the bottling and food manufacturing industries.				
14% Senior Subordinated Note due 10/18/2019 (D)	\$1,477,388	10/18/13	1,452,295	-
Common Stock (B)	1,681 shs.	10/18/13	168,100	-
			<u>1,620,395</u>	<u>-</u>
<b>Strahman Holdings Inc</b>				
A manufacturer of industrial valves and wash down equipment for a variety of industries, including chemical, petrochemical, polymer, pharmaceutical, food processing, beverage and mining.				
14% Senior Subordinated Note due 06/13/2019	\$2,119,565	12/13/13	2,085,587	2,121,855
Preferred Stock Series A (B)	317,935 shs.	12/13/13	317,935	578,642
Preferred Stock Series A-2 (B)	53,086 shs.	09/10/15	59,987	96,617
			<u>2,463,509</u>	<u>2,797,114</u>
<b>Sunrise Windows Holding Company</b>				
A manufacturer and marketer of premium vinyl windows exclusively selling to the residential remodeling and replacement market.				
16% Senior Subordinated Note due 12/14/2017 (D)	\$3,653,809	*	3,584,277	3,288,428
Common Stock (B)	115 shs.	12/14/10	114,504	82,890
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	112 shs.	12/14/10	111,747	80,899
* 12/14/10 and 08/17/12.			<u>3,810,528</u>	<u>3,452,217</u>
<b>Sunvair Aerospace Group Inc.</b>				
An aerospace maintenance, repair, and overhaul provider servicing landing gears on narrow body aircraft.				
12% Senior Subordinated Note due 07/31/2021	\$2,466,440	07/31/15	2,417,111	2,435,904
Common Stock (B)	139 shs.	07/31/15	158,560	163,089
			<u>2,575,671</u>	<u>2,598,993</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Syneract Holdings Corporation</b>				
A provider of outsourced clinical trial management services to pharmaceutical and biotechnology companies.				
14% Senior Subordinated Note due 02/26/2019	\$4,391,112	09/02/08	\$ 4,308,194	\$ 4,391,112
Preferred Stock Series D (B)	485 shs.	02/27/13	48,503	-
Redeemable Preferred Stock Series A (B)	1,280 shs.	10/03/08	12,523	-
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	12,803 shs.	09/02/08	112,693	-
			<u>4,481,913</u>	<u>4,391,112</u>
<b>Team Drive-Away Holdings LLC</b>				
An asset-light provider of over the road driveaway services for class 8 trucks and specialized equipment.				
12.5% Senior Subordinated Note due 04/15/2021	\$1,555,600	10/15/15	1,525,334	1,542,567
Limited Liability Company Unit (B)	194,400 uts.	10/15/15	194,400	194,400
			<u>1,719,734</u>	<u>1,736,967</u>
<b>Torrent Group Holdings, Inc.</b>				
A contractor specializing in the sales and installation of engineered drywells for the retention and filtration of stormwater and nuisance water flow.				
3% Senior Subordinated Note due 12/31/2018 (D)	\$1,455,525	12/05/13	-	1,382,749
15% Senior Subordinated Note due 12/05/2020(D)	\$ 88,396	12/05/13	414,051	70,717
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	53,038 shs.	12/05/13	-	-
			<u>414,051</u>	<u>1,453,466</u>
<b>Transpac Holding Company</b>				
A designer, importer and wholesaler of home décor and seasonal gift products.				
8% Senior Subordinated Note due 10/31/2016 (D)	\$1,773,006	10/31/07	1,717,521	-
Common Stock (B)	209 shs.	10/31/07	208,589	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	94 shs.	10/31/07	87,607	-
			<u>2,013,717</u>	<u>-</u>
<b>Tranzonic Holdings LLC</b>				
A producer of commercial and industrial supplies, such as safety products, janitorial supplies, work apparel, washroom and restroom supplies and sanitary care products.				
14% Senior Subordinated Note due 07/05/2019	\$3,104,782	07/05/13	3,064,329	3,104,782
Limited Liability Company Unit Preferred Class A (B)	295,455 uts.	07/05/13	295,455	391,354
			<u>3,359,784</u>	<u>3,496,136</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Tristar Global Energy Solutions, Inc.</b>				
A hydrocarbon and decontamination services provider serving refineries worldwide.				
12.5% Senior Subordinated Note due 07/31/2020	\$2,285,448	01/23/15	\$ 2,245,768	\$ 2,135,119
<b>Vitex Packaging Group, Inc.</b>				
A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags.				
Class B Unit (B)	767,881 uts.	10/29/09	348,058	-
Class C Unit (B)	850,000 uts.	10/29/09	780,572	450,328
Limited Liability Company Unit Class A (B)	723,465 uts.	*	433,222	-
Limited Liability Company Unit Class B (B)	182,935 uts.	07/19/04	182,935	-
* 07/19/04 and 10/29/09.			<u>1,744,787</u>	<u>450,328</u>
<b>VP Holding Company</b>				
A provider of school transportation services for special-needs and homeless children in Massachusetts.				
Common Stock (B)	7,368 shs.	03/31/14	736,842	1,082,896
<b>Wellborn Forest Holding Company</b>				
A manufacturer of semi-custom kitchen and bath cabinetry.				
8% Senior Subordinated Note due 09/30/2017 (D)	\$3,175,092	11/30/06	1,638,669	1,587,546
Common Stock (B)	191 shs.	11/30/06	191,250	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	95 shs.	11/30/06	86,493	-
			<u>1,916,412</u>	<u>1,587,546</u>
<b>Westminster Acquisition LLC</b>				
A manufacturer of premium, all-natural oyster cracker products sold under the Westminster and Olde Cape Cod brands.				
12% Senior Subordinated Note due 02/03/2021	\$ 754,282	08/03/15	740,378	743,562
Limited Liability Company Unit (B)	751,212 uts.	08/03/15	751,212	933,775
			<u>1,491,590</u>	<u>1,677,337</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Whitcraft Holdings, Inc.</b>				
A leading independent manufacturer of precision formed, machined, and fabricated flight-critical aerospace components.				
Common Stock (B)	616 shs.	12/16/10	\$ 616,438	\$ 633,668
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	166 shs.	12/16/10	<u>148,003</u>	<u>170,269</u>
			<u>764,441</u>	<u>803,937</u>
<b>WP Supply Holding Corporation</b>				
A distributor of fresh fruits and vegetables to grocery wholesalers and foodservice distributors in the upper Midwest.				
14.5% Senior Subordinated Note due 06/12/2020	\$2,828,656	11/03/11	2,801,545	2,828,656
Common Stock	4,500 shs.	11/03/11	<u>450,000</u>	<u>679,611</u>
			<u>3,251,545</u>	<u>3,508,267</u>
<b>York Wall Holding Company</b>				
A designer, manufacturer and marketer of wall covering products for both residential and commercial wall coverings.				
12.5% Senior Subordinated Note due 03/04/2021	\$3,166,445	03/04/15	3,109,962	3,017,193
Common Stock (B)	3,723 shs.	03/04/15	<u>372,300</u>	<u>257,050</u>
			<u>3,482,262</u>	<u>3,274,243</u>
<b>Total Private Placement Investments (E)</b>			<u><b>\$191,533,740</b></u>	<u><b>\$197,472,663</b></u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS** (CONTINUED)

December 31, 2015

Corporate Restricted Securities: (A) (Continued)	Interest Rate	Due Date	Principal Amount	Cost	Market Value
<b>Rule 144A Securities - 20.99%:</b>					
<b>Bonds - 20.99%</b>					
Alere Inc.	6.375%	07/01/23	\$1,175,000	\$ 1,192,425	\$ 1,098,625
Altice S.A.	7.750	05/15/22	1,000,000	1,000,000	902,500
Amsted Industries	5.375	09/15/24	520,000	520,000	509,600
Anixter, Inc.	5.500	03/01/23	1,000,000	1,000,000	1,005,000
Asbury Automotive Group, Inc.	6.000	12/15/24	665,000	692,827	686,612
Ashtead Group plc	6.500	07/15/22	385,000	403,542	401,363
Audatex North America, Inc.	6.125	11/01/23	437,000	454,690	439,731
Belden Inc.	5.250	07/15/24	410,000	410,000	377,200
Beverage Packaging Holdings	6.000	06/15/17	730,000	730,000	706,275
Brunswick Corporation	4.625	05/15/21	1,000,000	1,009,994	997,500
California Resources Corporation	8.000	12/15/22	597,000	745,376	314,171
CCOH Safari, LLC	5.750	02/15/26	1,000,000	1,000,000	1,002,500
CITGO Petroleum Corporation	6.250	08/15/22	925,000	925,000	888,000
Commscope Holdings Inc.	6.625	06/01/20	500,000	500,857	505,625
Consolidated Energy Finance S.A.	6.750	10/15/19	947,000	938,804	905,284
Cornerstone Chemical Company	9.375	03/15/18	750,000	760,173	678,750
Coveris Holdings S.A.	7.875	11/01/19	1,000,000	1,000,000	872,500
CTP Transportation Products, LLC	8.250	12/15/19	635,000	635,000	661,988
Dean Foods	6.500	03/15/23	663,000	663,000	689,520
Endo Finance LLC	5.375	01/31/23	1,000,000	982,410	980,000
Family Tree Escrow, LLC	5.750	03/01/23	1,000,000	1,029,739	1,035,000
First Data Corporation	5.000	01/15/24	834,000	834,000	829,830
Forest Laboratories, Inc.	4.875	02/15/21	1,000,000	1,000,000	1,082,802
Forest Laboratories, Inc.	5.000	12/15/21	775,000	775,000	842,118
Gates Global LLC	6.000	07/15/22	1,000,000	762,697	720,000
Harron Communications, L.P.	9.125	04/01/20	500,000	537,339	528,750
HD Supply, Inc.	5.250	12/15/21	265,000	265,000	270,300
HealthSouth Corporation	5.750	11/01/24	500,000	502,412	476,875
Hilcorp Energy Company	5.000	12/01/24	500,000	500,000	415,000
Hill-Rom Holdings, Inc.	5.750	09/01/23	385,000	385,000	392,700
H.J. Heinz Company	4.875	02/15/25	600,000	600,000	637,785
Hub International Ltd.	7.875	10/01/21	1,000,000	1,000,000	900,000
Huntington Ingalls Industries	5.000	12/15/21	1,000,000	1,000,000	1,018,750
INEOS Group Holdings PLC	5.875	02/01/19	485,000	485,000	470,450
Infor (US), Inc.	5.750	08/15/20	226,000	223,-2881	227,695

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Interest Rate	Due Date	Principal Amount	Cost	Market Value
International Automotive Component	9.125%	06/01/18	\$1,000,000	\$ 973,708	\$ 855,000
International Wire Group	8.500	10/15/17	500,000	516,586	511,250
J.B. Poindexter Co., Inc.	9.000	04/01/22	1,000,000	1,041,703	1,045,000
JBS USA Holdings, Inc.	7.750	10/28/20	750,000	781,107	720,000
Jupiter Resources Inc.	8.500	10/01/22	1,000,000	948,918	400,000
Jurassic Holdings III Inc	6.875	02/15/21	1,000,000	1,007,538	600,000
KeHE Distributors, LLC	7.625	08/15/21	1,000,000	1,054,185	1,017,500
LBC Tank Terminals Holding Netherlands B.V.	6.875	05/15/23	1,315,000	1,349,607	1,301,850
Mallinckrodt PLC	5.750	08/01/22	1,000,000	1,000,000	960,000
Micron Technology, Inc.	5.250	08/01/23	1,000,000	1,000,000	897,500
M/I Homes, Inc.	6.750	01/15/21	914,000	914,000	900,290
Milacron Financial	7.750	02/15/21	500,000	500,000	466,250
Moog Inc.	5.250	12/01/22	1,000,000	1,007,223	1,010,000
MPLX LP	4.875	12/01/24	1,000,000	1,000,000	897,500
Murray Energy Corporation	11.250	04/15/21	1,000,000	971,253	182,500
Mustang Merger Corporation	8.500	08/15/21	1,000,000	997,995	1,037,500
Netflix, Inc.	5.500	02/15/22	605,000	605,000	620,125
NXP BV/NXP Funding LLC	3.750	06/01/18	1,500,000	1,500,000	1,507,500
Onex Corporation	8.500	10/01/22	352,000	352,000	288,640
OPE KAG Finance Sub	7.875	07/31/23	1,750,000	1,822,507	1,739,062
Paragon Offshore plc.	6.750	07/15/22	1,000,000	346,572	140,000
Pinnacle Operating Corporation	9.000	11/15/20	1,000,000	1,035,511	940,000
Prestige Brands Holdings, Inc.	5.375	12/15/21	1,350,000	1,350,000	1,296,000
Sabre GLOB Inc.	5.375	04/15/23	1,000,000	988,573	995,000
Sabre GLOB Inc.	5.250	11/15/23	251,000	251,000	248,176
Safway Group Holding LLC/Finance Corporation	7.000	05/15/18	500,000	500,000	498,750
Sirius XM Radio Inc.	5.875	10/01/20	750,000	750,000	785,625
Sirius XM Radio Inc.	5.375	04/15/25	250,000	250,000	251,563
Surgical Care Affiliates, Inc.	6.000	04/01/23	918,000	918,000	895,050
TeamHealth Holdings Inc	7.250	12/15/23	235,000	235,000	243,225
Teine Energy Ltd.	6.875	09/30/22	900,000	893,693	724,500
Topaz Marine S.A.	8.625	11/01/18	1,000,000	1,000,000	909,700
Unitymedia KabelBW GmbH	6.125	01/15/25	1,000,000	1,000,000	988,150
Univision Communications, Inc.	5.125	05/15/23	325,000	325,000	312,813
Univision Communications, Inc.	5.125	02/15/25	860,000	871,109	817,000
UPCB Finance IV Limited	5.375	01/15/25	425,000	425,000	400,563
Valeant Pharmaceuticals International	7.000	10/01/20	880,000	881,128	877,800

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Corporate Restricted Securities: (A) (Continued)	Interest Rate	Due Date	Shares or Principal Amount	Cost	Market Value
Virgin Media Secured Finance PLC	5.250%	01/15/26	\$1,000,000	\$ 1,008,635	\$ 972,500
VRX Escrow Corp.	6.125	04/15/25	782,000	782,000	697,935
Watco Companies, L.L.C.	6.375	04/01/23	1,000,000	1,000,000	985,000
Welltec A/S	8.000	02/01/19	750,000	741,974	703,125
West Corporation	5.375	07/15/22	1,000,000	982,948	862,500
XPO Logistics, Inc.	7.875	09/01/19	933,000	955,079	948,646
<b>Total Bonds</b>				<u>62,298,718</u>	<u>57,921,887</u>
<b>Common Stock - 0.00%</b>					
TherOX, Inc. (B)			103	-	-
Touchstone Health Partnership (B)			1,168	-	-
<b>Total Common Stock</b>				<u>-</u>	<u>-</u>
<b>Total Rule 144A Securities</b>				<u>62,298,718</u>	<u>57,921,887</u>
<b>Total Corporate Restricted Securities</b>				<u>\$253,832,458</u>	<u>\$255,394,550</u>

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

<b>Corporate Public Securities - 14.84%: (A)</b>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Cost</u>	<u>Market Value</u>
<b>Bank Loans - 0.68%</b>					
Ascent Resource - Marcellus LLC	8.500%	07/09/21	\$ 209,882	\$ 207,360	\$ 3,847
Aquilex Holdings LLC	6.500	12/31/20	291,963	291,437	277,365
Caelus Energy Alaska, LLC	8.750	04/15/20	1,000,000	992,525	525,000
Fieldwood Energy LLC	8.375	09/30/20	1,000,000	389,852	150,000
Synarc-BioCore Holdings, LLC	9.250	03/04/22	1,000,000	992,228	912,500
<b>Total Bank Loans</b>				<b>2,873,402</b>	<b>1,868,712</b>
<b>Bonds - 13.83%</b>					
Accuride Corp	9.500	08/01/18	1,500,000	1,520,884	1,245,000
ADT Corporation	6.250	10/15/21	1,000,000	1,029,234	1,044,550
Ally Financial, Inc.	5.500	02/15/17	1,500,000	1,508,830	1,545,000
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	640,000
Bonanza Creek Energy, Inc.	5.750	02/01/23	1,000,000	1,000,000	520,000
California Resources Corporation	6.000	11/15/24	223,000	223,000	68,014
Calpine Corporation	5.750	01/15/25	700,000	700,000	617,750
Calumet Specialty Products Partners L.P.	7.625	01/15/22	1,000,000	1,000,800	850,000
CIT Group Inc.	3.875	02/19/19	1,000,000	1,000,000	995,000
Clearwater Paper Corporation	4.500	02/01/23	750,000	744,261	705,000
Commercial Metals Company	4.875	05/15/23	1,500,000	1,502,466	1,245,000
Commercial Vehicle Group Inc.	7.875	04/15/19	930,000	947,562	813,750
CPI International, Inc.	8.750	02/15/18	400,000	400,908	394,000
CVR Refining LLC	6.500	11/01/22	650,000	631,731	630,500
D.R. Horton, Inc.	4.000	02/15/20	1,000,000	1,000,000	1,005,700
DuPont Fabros Technology, Inc.	5.625	06/15/23	600,000	595,500	606,000
Ferrellgas Partners, L.P.	6.750	01/15/22	465,000	465,000	391,762
Ferrellgas Partners, L.P.	8.625	06/15/20	1,048,000	1,049,242	985,120
Forum Energy Technologies	6.250	10/01/21	325,000	325,000	269,750
HCA Holdings, Inc.	3.750	03/15/19	1,000,000	1,000,000	1,007,500
HCA Holdings, Inc.	5.375	02/01/25	150,000	152,594	148,125
HealthSouth Corporation	5.750	11/01/24	393,000	400,276	374,824
Hilton Worldwide Holdings, LLC	5.625	10/15/21	1,000,000	1,000,000	1,036,250
Hornbeck Offshore Services, Inc.	5.000	03/01/21	500,000	500,000	340,000
Icahn Enterprises L.P.	4.875	03/15/19	970,000	970,000	961,270
Icahn Enterprises L.P.	6.000	08/01/20	1,150,000	1,166,949	1,159,660
Kindred Healthcare, Inc.	8.750	01/15/23	1,000,000	1,000,000	920,000

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

December 31, 2015

Corporate Public Securities - 14.84%: (A)	Interest Rate	Maturity Date	Shares or Principal Amount	Cost	Market Value
Lamar Media Corp.	5.375%	01/15/24	\$ 320,000	\$ 320,000	\$ 329,600
Lear Corporation	4.750	01/15/23	750,000	738,467	753,750
Lennar Corporation	4.500	11/15/19	250,000	250,453	254,219
Lennar Corporation	4.750	11/15/22	750,000	741,167	743,625
Memorial Production Partners LP	6.875	08/01/22	1,000,000	986,389	300,000
Meritor, Inc.	6.750	06/15/21	1,000,000	1,000,000	920,000
Meritor, Inc.	7.875	03/01/26	669,000	663,403	797,783
Nielsen Finance LLC	4.500	10/01/20	1,000,000	1,000,000	1,015,000
NRG Energy, Inc.	6.250	07/15/22	1,000,000	1,000,000	852,000
Oasis Petroleum Inc.	6.875	03/15/22	1,000,000	1,000,000	640,000
Omnova Solutions, Inc.	7.875	11/01/18	900,000	908,982	882,000
Orbital ATK Inc.	5.250	10/01/21	1,000,000	1,000,000	1,005,000
Perry Ellis International, Inc.	7.875	04/01/19	250,000	248,604	250,000
P.H. Glatfelter Company	5.375	10/15/20	1,000,000	1,009,638	1,000,000
Ply Gem Industries, Inc.	6.500	02/01/22	1,000,000	940,254	900,000
Precision Drilling Corporation	6.625	11/15/20	750,000	765,085	585,000
Sally Beauty Holdings, Inc.	5.625	12/01/25	403,000	403,000	407,030
Sanchez Energy Corporation	6.125	01/15/23	1,000,000	693,752	540,000
Select Medical Corporation	6.375	06/01/21	650,000	657,672	568,750
Sprint Corporation	7.125	06/15/24	315,000	315,000	227,194
Stone Energy Corporation	7.500	11/15/22	1,000,000	1,024,546	330,000
Tenet Healthcare Corporation	6.750	06/15/23	725,000	721,552	672,438
Suburban Propane Partners, L.P.	5.750	03/01/25	1,000,000	1,000,000	810,000
William Lyon Homes	7.000	08/15/22	1,000,000	1,000,000	1,002,500
WPX Energy, Inc.	5.250	09/15/24	925,000	925,000	610,500
Xerium Technologies, Inc.	8.875	06/15/18	831,000	854,609	814,484
<b>Total Bonds</b>				<b><u>43,222,810</u></b>	<b><u>38,151,398</u></b>
<b>Common Stock - 0.33%</b>					
Chase Packaging Corporation			9,541	-	286
Nortek, Inc.			175	1	7,634
Supreme Industries, Inc. (B)			131,371	267,319	899,891
<b>Total Common Stock</b>				<b><u>267,320</u></b>	<b><u>907,811</u></b>
<b>Total Corporate Public Securities</b>				<b><u>\$ 46,363,532</u></b>	<b><u>\$ 40,927,921</u></b>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Short-Term Securities:	Interest Rate/Yield <sup>^</sup>	Maturity Date	Principal Amount	Cost	Market Value
<b>Commercial Paper - 2.50%</b>					
PPG Industries, Inc.	0.750%	01/07/16	\$3,900,000	\$ 3,898,697	\$ 3,898,697
South Carolina Electric & Gas Company	0.776	01/15/16	3,000,000	2,999,125	2,999,125
<b>Total Short-Term Securities</b>				<b><u>\$ 6,897,822</u></b>	<b><u>\$ 6,897,822</u></b>
<b>Total Investments</b>	<b>109.90%</b>			<b><u>\$307,093,812</u></b>	<b><u>\$303,220,293</u></b>
Other Assets	4.53				12,503,544
Liabilities	<u>(14.43)</u>				<u>(39,808,548)</u>
<b>Total Net Assets</b>	<b><u>100.00%</u></b>				<b><u>\$275,915,289</u></b>

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

(B) Non-income producing security.

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

(D) Defaulted security; interest not accrued.

(E) Illiquid securities. As of December 31, 2015, the value of these securities amounted to \$197,472,663 or 71.57% of net assets.

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

PIK - Payment-in-kind

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)**

December 31, 2015

Industry Classification:	Fair Value/ Market Value		Fair Value/ Market Value
<b>AEROSPACE &amp; DEFENSE - 3.92%</b>			
CPI International, Inc.	\$ 394,000	Nortek, Inc.	\$ 7,634
FMH Holdings Corporation	3,439,084	Pearlman Enterprises, Inc.	2,413,510
Huntington Ingalls Industries	1,018,750	Ply Gem Industries, Inc.	900,000
Merex Holding Corporation	1,569,516	Signature Systems Holdings Company	720,086
Orbital ATK Inc.	1,005,000	Sunrise Windows Holding Company	3,452,217
Sunvair Aerospace Group Inc.	2,598,993	Torrent Group Holdings, Inc.	1,453,466
Whitcraft Holdings, Inc.	803,937	Wellborn Forest Holding Company	1,587,546
	<u>10,829,280</u>		<u>18,893,412</u>
<b>AIRLINES - 0.34%</b>			
XPO Logistics, Inc.	948,646		
<b>AUTOMOTIVE - 10.16%</b>			
Accuride Corp	1,245,000	<b>CABLE &amp; SATELLITE - 1.74%</b>	
Aurora Parts & Accessories LLC	3,472,871	Altice S.A.	902,500
CG Holdings Manufacturing Company	4,179,459	Harron Communications, L.P.	528,750
Commercial Vehicle Group Inc.	813,750	CCOH Safari, LLC	1,002,500
DPL Holding Corporation	4,202,975	Unitymedia KabelBW GmbH	988,150
Gates Global LLC	720,000	UPCB Finance IV Limited	400,563
Grakon Parent	463,084	Virgin Media Secured Finance PLC	972,500
International Automotive Component	855,000		<u>4,794,963</u>
J A C Holding Enterprises, Inc.	1,056,013	<b>CHEMICALS - 5.39%</b>	
J.B. Poindexter Co., Inc.	1,045,000	Compass Chemical International LLC	3,443,467
K & N Parent, Inc.	392,915	Consolidated Energy Finance S.A.	905,284
Lear Corporation	753,750	Cornerstone Chemical Company	678,750
Meritor, Inc.	1,717,783	INEOS Group Holdings PLC	470,450
Moog Inc.	1,010,000	LBC Tank Terminals Holding Netherlands B.V.	1,301,850
Power Stop Holdings LLC	3,569,829	Omnova Solutions, Inc.	882,000
Randy's Worldwide Automotive	2,522,092	Pinnacle Operating Corporation	940,000
	<u>28,019,521</u>	Polytex Holdings LLC	2,338,671
		PPG Industries, Inc.	3,898,697
			<u>14,859,169</u>
<b>BROKERAGE, ASSET MANAGERS &amp; EXCHANGES - 0.77%</b>			
Icahn Enterprises L.P.	2,120,930	<b>CONSTRUCTION MACHINERY - 0.90%</b>	
<b>BUILDING MATERIALS - 6.85%</b>			
ACP Cascade Holdings LLC	-	A W X Holdings Corporation	709,275
ARI Holding Corporation	4,577,237	Ashtead Group plc	401,363
Janus Group Holdings LLC	3,781,716	Jurassic Holdings III Inc	600,000
		Safety Infrastructure Solutions	780,697
			<u>2,491,335</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

<b>Industry Classification: (Continued)</b>	<u>Fair Value/ Market Value</u>		<u>Fair Value/ Market Value</u>
<b>CONSUMER CYCLICAL SERVICES - 2.82%</b>		Forum Energy Technologies	\$ 269,750
CHG Alternative Education Holding Company	\$ 3,181,699	G C Holdings	366,168
Church Services Holding Company	654,736	Ideal Tridon Holdings, Inc.	639,094
PPC Event Services	3,084,997	K P I Holdings, Inc.	1,025,807
West Corporation	862,500	Motion Controls Holdings	3,292,167
	<u>7,783,932</u>	NABCO, Inc.	409,370
		NetShape Technologies, Inc.	1,699,439
<b>CONSUMER PRODUCTS - 10.99%</b>		Strahman Holdings Inc	2,797,114
AMS Holding LLC	782,283	Supreme Industries, Inc.	899,891
Animal Supply Company	3,383,391		<u>22,490,315</u>
Blue Wave Products, Inc.	1,765,623	<b>ELECTRIC - 1.62%</b>	
gloProfessional Holdings, Inc.	3,062,363	Calpine Corporation	617,750
GTI Holding Company	1,670,764	NRG Energy, Inc.	852,000
Handi Quilter Holding Company	3,339,595	South Carolina Electric & Gas Company	2,999,125
HHI Group, LLC	3,266,335		<u>4,468,875</u>
K N B Holdings Corporation	274,177	<b>ENERGY - 0.19%</b>	
Kyjen Company	2,603,198	Ascent Resource – Marcellus LLC	3,847
Manhattan Beachwear Holding Company	2,643,421	Caelus Energy Alaska, LLC	525,000
Master Cutlery LLC	2,701,626		<u>528,847</u>
Perry Ellis International, Inc.	250,000	<b>FINANCE COMPANIES - 0.36%</b>	
Prestige Brands Holdings, Inc.	1,296,000	CIT Group Inc.	995,000
Transpac Holding Company	-	<b>FINANCIAL OTHER - 1.13%</b>	
York Wall Holding Company	3,274,243	Ally Financial, Inc.	1,545,000
	<u>30,313,019</u>	Hub International Ltd.	900,000
<b>DIVERSIFIED MANUFACTURING - 8.15%</b>		Insurance Claims Management, Inc.	382,240
ABC Industries, Inc.	1,093,340	Onex Corporation	288,640
Advanced Manufacturing Enterprises LLC	243,302		<u>3,115,880</u>
Airxcel Holdings	3,395,577	<b>FOOD &amp; BEVERAGE - 9.91%</b>	
Amsted Industries	509,600	1492 Acquisition LLC	2,018,847
Belden Inc.	377,200	Dean Foods	689,520
BP SCI LLC	1,059,764	Eagle Family Foods, Inc.	3,447,649
CTP Transportation Products, LLC	661,988	F F C Holding Corporation	600,184
Custom Engineered Wheels, Inc.	1,417,134	GenNx Novel Holding, Inc.	3,469,279
E S P Holdco, Inc.	576,645	H.J. Heinz Company	637,785
F G I Equity LLC	1,756,965	Hollandia Produce LLC	2,627,796

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS** (CONTINUED)

December 31, 2015

Industry Classification: (Continued)	Fair Value/ Market Value	Fair Value/ Market Value
Hospitality Mints Holding Company	\$ 2,086,006	William Lyon Homes
Impact Confections	2,496,714	
JBS USA Holdings, Inc.	720,000	<u>\$ 1,002,500</u>
JMH Investors LLC	2,339,806	<u>3,906,334</u>
KeHE Distributors, LLC	1,017,500	<b>INDEPENDENT - 1.07%</b>
Westminster Acquisition LLC	1,677,337	Antero Resources Corporation
WP Supply Holding Corporation	<u>3,508,267</u>	California Resources Corporation
	<u>27,336,690</u>	Fieldwood Energy LLC
		Jupiter Resources Inc.
<b>GAMING - 1.19%</b>		Precision Drilling Corporation
CTM Holding, Inc.	<u>3,285,724</u>	Sanchez Energy Corporation
		Stone Energy Corporation
<b>HEALTHCARE - 6.47%</b>		<u>2,959,171</u>
Alere Inc.	1,098,625	<b>INDUSTRIAL OTHER - 10.42%</b>
ECG Consulting Group	2,871,453	ADT Corporation
GD Dental Services LLC	353,111	Advanced Technologies Holdings
HCA Holdings, Inc.	1,155,625	AFC – Dell Holding Corporation
Healthcare Direct Holding Company	278,339	Aquilex Holdings LLC
HealthSouth Corporation	851,699	Brunswick Corporation
Hill-Rom Holdings, Inc.	392,700	Clough, Harbour and Associates
Kindred Healthcare, Inc.	920,000	Connecticut Electric, Inc.
MedSystems Holdings LLC	667,840	Hartland Controls Holding Corporation
Select Medical Corporation	568,750	Hi-Rel Group LLC
Surgical Care Affiliates, Inc.	895,050	HVAC Holdings, Inc.
Synarc-BioCore Holdings, LLC	912,500	International Wire Group
Synteract Holdings Corporation	4,391,112	Mail Communications Group, Inc.
TeamHealth Holdings Inc	243,225	MC Sign Holdings LLC
Tenet Healthcare Corporation	672,438	Milacron Financial
TherOX, Inc.	-	Nielsen Finance LLC
Touchstone Health Partnership	-	Northwest Mailing Services, Inc.
Valeant Pharmaceuticals International	877,800	O E C Holding Corporation
VRX Escrow Corp.	<u>697,935</u>	Safway Group Holding LLC/ Finance Corporation
	<u>17,848,202</u>	Smart Source Holdings LLC
<b>HOME CONSTRUCTION - 1.42%</b>		SMB Machinery Holdings, Inc.
D.R. Horton, Inc.	1,005,700	Tranzonic Holdings LLC
Lennar Corporation	997,844	<u>3,496,136</u>
M/I Homes, Inc.	900,290	<u>28,750,330</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Industry Classification: (Continued)	Fair Value/ Market Value	Fair Value/ Market Value
<b>LODGING - 0.38%</b>		
Hilton Worldwide Holdings, LLC	\$ 1,036,250	
<b>MEDIA &amp; ENTERTAINMENT - 3.99%</b>		
BlueSpire Holding, Inc.	3,450,538	
GlynnDevins Acquisition Corporation	1,749,162	
HOP Entertainment LLC	-	
Lamar Media Corp.	329,600	
Money Mailer	2,704,364	
Netflix, Inc.	620,125	
Sirius XM Radio Inc.	1,037,188	
Univision Communications, Inc.	1,129,813	
	<u>11,020,790</u>	
<b>METALS &amp; MINING - 0.52%</b>		
Commercial Metals Company	1,245,000	
Murray Energy Corporation	182,500	
	<u>1,427,500</u>	
<b>MIDSTREAM - 1.02%</b>		
CVR Refining LLC	630,500	
Ferrellgas Partners, L.P.	1,376,882	
Suburban Propane Partners, L.P.	810,000	
	<u>2,817,382</u>	
<b>OIL FIELD SERVICES - 1.91%</b>		
Avantech Testing Services LLC	-	
Bonanza Creek Energy, Inc.	520,000	
California Resources Corporation	68,014	
Hilcorp Energy Company	415,000	
Hornbeck Offshore Services, Inc.	340,000	
Memorial Production Partners LP	300,000	
Oasis Petroleum Inc.	640,000	
Petroplex Inv Holdings LLC	42,684	
Teine Energy Ltd.	724,500	
Topaz Marine S.A.	909,700	
Welltec A/S	703,125	
WPX Energy, Inc.	610,500	
	<u>5,273,523</u>	
<b>PACKAGING - 1.74%</b>		
ASC Holdings, Inc.		\$ 1,724,241
Beverage Packaging Holdings		706,275
Chase Packaging Corporation		286
Coveris Holdings S.A.		872,500
Mustang Merger Corporation		1,037,500
Vitex Packaging Group, Inc.		<u>450,328</u>
		<u>4,791,130</u>
<b>PAPER - 1.27%</b>		
Clearwater Paper Corporation		705,000
Dunn Paper		982,694
P.H. Glatfelter Company		1,000,000
Xerium Technologies, Inc.		<u>814,484</u>
		<u>3,502,178</u>
<b>PHARMACEUTICALS - 3.35%</b>		
Clarion Brands Holding Corp.		3,301,642
Endo Finance LLC		980,000
ERG Holding Company LLC		2,085,626
Forest Laboratories, Inc.		1,924,920
Mallinckrodt PLC		<u>960,000</u>
		<u>9,252,188</u>
<b>REFINING - 2.75%</b>		
Calumet Specialty Products Partners L.P.		850,000
CITGO Petroleum Corporation		888,000
MES Partners, Inc.		2,679,519
MPLX LP		897,500
Paragon Offshore plc.		140,000
Tristar Global Energy Solutions, Inc.		<u>2,135,119</u>
		<u>7,590,138</u>
<b>RETAILERS - 0.87%</b>		
Asbury Automotive Group, Inc.		686,612
Family Tree Escrow, LLC		1,035,000
HD Supply, Inc.		270,300
Sally Beauty Holdings, Inc.		<u>407,030</u>
		<u>2,398,942</u>

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****December 31, 2015**

Industry Classification: (Continued)	Fair Value/ Market Value
<b>TECHNOLOGY - 3.06%</b>	
Anixter, Inc.	\$ 1,426,000
Audatex North America, Inc.	439,731
Commscope Holdings Inc.	505,625
DuPont Fabros Technology, Inc.	606,000
First Data Corporation	829,830
Infor (US), Inc.	227,695
Micron Technology, Inc.	897,500
NXP BV/NXP Funding LLC	1,507,500
REVSpring, Inc.	760,178
Sabre GLBL Inc.	1,243,176
	<u>8,443,235</u>
<b>TRANSPORTATION SERVICES - 3.15%</b>	
MNX Holding Company	3,156,343
OPE KAG Finance Sub	1,739,062
Team Drive-Away Holdings LLC	1,736,967
VP Holding Company	1,082,896
Watco Companies, L.L.C.	985,000
	<u>8,700,268</u>
<b>WIRELESS - 0.08%</b>	
Sprint Corporation	227,194
<b>Total Investments - 109.90%</b>	<b><u><u>\$303,220,293</u></u></b>

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

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

### 2. Significant Accounting Policies

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

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

#### A. Fair Value Measurements:

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

#### Determination of Fair Value

The determination of the fair value of the Trust's investments is the responsibility of the Trust's Board of Trustees (the "Trustees"). The Trustees have adopted procedures for the valuation of the Trust's securities and has delegated responsibility for applying those procedures to Babson Capital. Babson Capital has established a Pricing Committee which is responsible for setting the guidelines used in following the procedures adopted by the Trustees and ensuring that those guidelines are being followed. Babson Capital considers all relevant factors that are reasonably available, through either public information or information directly available to Babson Capital, when determining the fair value of a security. The Trustees meet at least once each quarter to approve the value of the Trust's portfolio securities as of the close of business on the last business day of the preceding quarter. This valuation requires the approval of a majority of the Trustees of the Trust, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital. In approving valuations, the Trustees will consider reports by Babson Capital analyzing each portfolio security in accordance with the procedures and guidelines referred to above, which include the relevant factors referred to below. Babson Capital has agreed to provide such reports to the Trust at least quarterly. The consolidated financial statements include private placement restricted securities valued at \$197,472,663 (71.57% of net assets) as of December 31, 2015 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

The Trust uses external independent third-party pricing services to determine the fair values of its Corporate Public Securities. At December 31, 2015, 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.

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

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

Annually, Babson Capital conducts reviews of the primary pricing vendors to validate that the inputs used in that vendors' pricing process are deemed to be market observable as defined in the standard. While Babson Capital is not provided access to proprietary models of the vendors, the reviews have included on-site walk-throughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. The review also includes an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations, a process Babson Capital continues to perform annually. In addition, the pricing vendors have an established challenge process in

place for all security valuations, which facilitates identification and resolution of prices that fall outside expected ranges. Babson Capital believes that the prices received from the pricing vendors are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

### Corporate Restricted Securities – Corporate Bonds

The fair value of certain notes is determined using an internal model that discounts the anticipated cash flows of those notes using a specific discount rate. Changes to that discount rate are driven by changes in general interest rates, probabilities of default and credit adjustments. The discount rate used within the models to discount the future anticipated cash flows is considered a significant unobservable input. Significant increases/(decreases) in the discount rate would result in a significant (decrease)/increase to the notes' fair value.

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

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

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****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, 2015.

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Corporate Bonds	\$140,749,403	Discounted Cash Flows	Discount Rate	9.6% to 20.8%	13.3%
	\$3,750,287		Market Approach	Valuation Multiple	3.7x to 7.4x
			EBITDA	-\$2.0 million to \$6.4 million	\$4.3 million
Equity Securities	\$52,553,279	Market Approach	Valuation Multiple	3.7x to 12.2x	8.0x
			Discount for lack of marketability	0% to 20%	0.5%
			EBITDA	-\$2.0 million to \$151.4 million	\$21.9 million

**Fair Value Hierarchy**

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

Level 1 – quoted prices in active markets for identical securities

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

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

The following is a summary of the inputs used to value the Trust's net assets as of December 31, 2015:

Assets:	Total	Level 1	Level 2	Level 3
Restricted Securities				
Corporate Bonds	\$ 202,421,577	\$ -	\$ 57,921,887	\$ 144,499,690
Common Stock - U.S.	17,650,577	-	-	17,650,577
Preferred Stock	13,760,307	-	-	13,760,307
Partnerships and LLCs	21,562,089	-	-	21,562,089
Public Securities				
Bank Loans	1,868,712	-	1,868,712	-
Corporate Bonds	38,151,398	-	38,151,398	-
Common Stock - U.S.	907,811	907,811	-	-
Short-term Securities	6,897,822	-	6,897,822	-
<b>Total</b>	<b>\$303,220,293</b>	<b>\$907,811</b>	<b>\$104,839,819</b>	<b>\$197,472,663</b>

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

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

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

Assets:	Beginning balance at 12/31/2014	Included in earnings	Purchases	Sales	Prepayments	Transfers into Level 3	Transfers out of Level 3	Ending balance at 12/31/2015
Restricted Securities								
Corporate Bonds	\$131,162,430	\$(4,002,591)	\$50,960,504	\$ (9,163,316)	\$(24,457,337)	\$ -	\$ -	\$144,499,690
Common Stock - U.S.	20,112,954	4,776,630	1,394,852	(8,633,859)	-	-	-	17,650,577
Preferred Stock	12,766,592	3,054,035	585,292	(2,645,612)	-	-	-	13,760,307
Partnerships and LLCs	22,013,933	2,568,426	5,102,734	(8,123,004)	-	-	-	21,562,089
	<b>\$186,055,909</b>	<b>\$ 6,396,500</b>	<b>\$58,043,382</b>	<b>\$(28,565,791)</b>	<b>\$(24,457,337)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$197,472,663</b>

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

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

	Net Increase in Net Assets Resulting from Operations	Change in Unrealized Gains & (Losses) in Net Assets from assets still held
Interest (Amortization)	\$ 506,060	\$ -
Net realized gain on investments before taxes	\$2,884,986	-
Net change in unrealized depreciation of investments before taxes	3,005,454	1,168,880

**B. Accounting for Investments:**

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

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

**C. Use of Estimates:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**D. Federal Income Taxes:**

The Trust has elected to be taxed as a "regulated investment company" under the Internal Revenue Code, and intends to maintain this qualification and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that the Trustees either designate the net realized long-term gains as undistributed and pay the Federal capital gains taxes thereon or distribute all or a portion of such net gains. For the year ended December 31, 2015, the Trust did not have any realized taxable long-term capital gains.

The Trust is taxed as a regulated investment company and is therefore limited as to the amount of non-qualified income that it may receive as the result of operating a trade or business, e.g. the Trust's pro rata share of income allocable to the Trust by a partnership operating company. The Trust's violation of this limitation could result in the loss of its status as a regulated investment company, thereby subjecting all of its net income and capital gains to corporate taxes prior to distribution to its shareholders. The Trust,

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

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 2015, the Trust increased undistributed net investment loss by \$4,592,495, decreased accumulated net realized gains by \$471,750, increased retained net realized gain on investments by \$954,532 and decreased additional paid in capital by \$5,075,277 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.

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, 2015 were as follows:

**Income tax expense (benefit)**

Current:	
Federal	\$884,303
State	<u>94,412</u>
Total current	<u>978,715</u>
Deferred:	
Federal	(24,082)
State	<u>(2,571)</u>
Total deferred	<u>(26,653)</u>
Total income tax expense from continuing operations	<u>\$952,062</u>

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax basis.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2015 were as follows:

**Deferred tax assets:**

Net operating loss	<u>-</u>
Total deferred tax assets	<u>-</u>
Less valuation allowance	<u>-</u>
Deferred tax asset	<u>-</u>

**Deferred tax liabilities:**

Unrealized gain/Cum. Diff. BA assets	<u>1,128,177</u>
Total deferred tax liabilities	<u>1,128,177</u>
Net deferred tax liability	<u>\$(1,128,177)</u>

The Trust recognizes a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. If this threshold is met, the Trust measures the tax benefit as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Trust has evaluated and determined that the tax positions did not have a material effect on the Trust's financial position and results of operations for the year ended December 31, 2015.

A reconciliation of the differences between the Trust's income tax expense and the amount computed by applying the prevailing U.S. Federal tax rate to pretax income for the year ended December 31, 2015 is as follows:

	<u>Amount</u>	<u>Percentage</u>
Provision for income taxes at the U.S. federal rate	\$860,221	34.00%
State tax, net of federal effect	91,841	3.63%
Change in valuation allowance	-	0.00%
Rate revaluation	-	0.00%
Other	<u>-</u>	<u>0.00%</u>
Total income tax expense on continuing operations	952,062	37.63%
Discontinued operations income tax expense	<u>-</u>	<u>0.00%</u>
Income tax expense	<u>\$952,062</u>	<u>37.63%</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

### E. Distributions to Shareholders:

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

The components of capital shown in the following table represent the Trust's undistributed net investment income, undistributed net capital gain, losses the Trust may be able to offset against gains in future taxable years, as well as unrealized appreciation (depreciation) on securities and other fund investments, if any, at December 31, 2015, each of which is determined on a U.S. Federal tax basis:

Undistributed (Overdistributed) Net Investment Income	Undistributed Net Capital Gain	Accumulated Loss Carryforward	Net Unrealized Appreciation (Depreciation) on Securities and Other Investments
<u>\$2,612,946</u>	<u>\$-</u>	<u>\$(411,294)</u>	<u>\$(1,093,003)</u>

The tax character of distributions declared during the years ended December 31, 2015 and 2014 was as follows:

Distributions paid from:	2015	2014
Ordinary Income	\$23,539,826	\$23,378,280
Long-term Capital Gains	\$ -	\$ -

### 3. Investment Services Contract

#### A. Services:

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

personnel for the performance of the foregoing services.

#### B. Fee:

For its services under the Contract, Babson Capital is paid a quarterly investment advisory fee of 0.3125% of the net asset value of the Trust as of the last business day of each fiscal quarter, which is approximately equal to 1.25% annually. A majority of the Trustees, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital, approve the valuation of the Trust's net assets as of such day.

### 4. Senior Secured Indebtedness

MassMutual holds the Trust's \$30,000,000 Senior Fixed Rate Convertible Note (the "Note") issued by the Trust on November 15, 2007. The Note is due November 15, 2017 and accrues interest at 5.28% per annum. MassMutual, at its option, can convert the principal amount of the Note into common shares. The dollar amount of principal would be converted into an equivalent dollar amount of common shares based upon the average price of the common shares for ten business days prior to the notice of conversion. For the year ended December 31, 2015, the Trust incurred total interest expense on the Note of \$1,584,000.

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

Management estimates that the fair value of the Note was \$31,526,100 as of December 31, 2015.

### 5. Purchases and Sales of Investments

	For the year ended 12/31/2015	
	Cost of Investments Acquired	Proceeds from Sales or Maturities
Corporate restricted securities	\$86,011,724	\$69,115,416
Corporate public securities	7,330,478	18,762,122

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

The aggregate cost of investments is substantially the same for financial reporting and Federal income tax purposes as of December 31, 2015. The net unrealized depreciation of investments for financial reporting and Federal tax purposes as of December 31, 2015 is \$3,873,519 and consists of \$24,089,168 appreciation and \$27,962,687 depreciation.

Net unrealized depreciation of investments on the Statement of Assets and Liabilities reflects the balance net of a deferred tax accrual of \$1,128,177 on net unrealized losses on the CI Subsidiary Trust.

**6. Quarterly Results of Investment Operations (Unaudited)**

	<u>March 31, 2015</u>	
	<u>Amount</u>	<u>Per Share</u>
Investment income	\$ 6,960,194	\$ -
Net investment income	5,449,489	0.28
Net realized and unrealized gain on investments (net of taxes)	7,158,460	0.37
	<u>June 30, 2015</u>	
	<u>Amount</u>	<u>Per Share</u>
Investment income	\$ 6,974,880	\$ -
Net investment income	5,445,723	0.28
Net realized and unrealized gain on investments (net of taxes)	74,744	0.00
	<u>September 30, 2015</u>	
	<u>Amount</u>	<u>Per Share</u>
Investment income	\$ 5,910,139	\$ -
Net investment income	4,143,696	0.21
Net realized and unrealized loss on investments (net of taxes)	(3,555,402)	(0.18)
	<u>December 31, 2015</u>	
	<u>Amount</u>	<u>Per Share</u>
Investment income	\$ 6,952,637	\$ -
Net investment income	5,385,055	0.27
Net realized and unrealized loss on investments (net of taxes)	(6,818,643)	(0.35)

**7. Aggregate Remuneration Paid to Officers, Trustees and Their Affiliated Persons**

For the year ended December 31, 2015, the Trust paid its Trustees aggregate remuneration of \$341,400. During the year, the Trust did not pay any compensation to any of its Trustees who are "interested persons" (as defined by the 1940 Act) of the Trust. The Trust classifies Messrs. Noreen and Joyal as "interested persons" of the Trust.

All of the Trust's officers are employees of Babson Capital. Pursuant to the Contract, the Trust does not compensate its officers who are employees of Babson Capital (except for the Chief Compliance Officer of the Trust unless assumed by Babson Capital). For the year ended December 31, 2015, Babson Capital paid the compensation of the Chief Compliance Officer of the Trust.

Mr. Noreen, one of the Trust's Trustees, is an "affiliated person" (as defined by the 1940 Act) of MassMutual and Babson Capital.

The Trust did not make any payments to Babson Capital for the year ended December 31, 2015, other than amounts payable to Babson Capital pursuant to the Contract.

**8. Certifications**

As required under New York Stock Exchange ("NYSE") Corporate Governance Rules, the Trust's principal executive officer has certified to the NYSE that he was not aware, as of the certification date, of any violation by the Trust of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Trust's principal executive and principal financial officers have made quarterly certifications, included in filings with the Securities and Exchange Commission on Forms N-CSR and N-Q, relating to, among other things, the Trust's disclosure controls and procedures and internal control over financial reporting, as applicable.

**9. Subsequent Events**

The Trust has evaluated the possibility of subsequent events after the balance sheet date of December 31, 2015, through the date that the financial statements were issued. The Trust has determined that there are no material events that would require recognition or disclosure in this report through this date.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM



The Shareholders and Board of Trustees of Babson Capital Corporate Investors:

We have audited the accompanying consolidated statement of assets and liabilities of Babson Capital Corporate Investors (the "Trust"), including the consolidated schedule of investments, as of December 31, 2015, and the related consolidated statements of operations and cash flows for the year then ended, the consolidated statements of changes in net assets for each of the years in the two-year period then ended, and the consolidated selected financial highlights for each of the years in the five-year period then ended. These consolidated financial statements and consolidated selected financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated selected financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and consolidated selected financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2015, by correspondence with custodian and counterparties. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and consolidated selected financial highlights referred to above present fairly, in all material respects, the financial position of Babson Capital Corporate Investors as of December 31, 2015, the consolidated results of their operations and cash flows for the year then ended, the consolidated changes in their net assets for each of the years in the two-year period then ended, and the consolidated selected financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

February 25, 2016

**INTERESTED TRUSTEES**

Name (Age), Address	Position With The Trust	Office Term / Length of Time Served	Principal Occupations During Past 5 Years	Portfolios Overseen in Fund Complex	Other Directorships Held by Director
<p><b>Clifford M. Noreen* (58)</b>                      Babson Capital Corporate Investors                      1500 Main Street                      P.O. Box 15189                      Springfield, MA 01115-5189</p>	<p>Trustee, Chairman</p>	<p>Term expires 2018; Trustee since 2009</p>	<p>President (since 2008), Vice Chairman (2007-2008), Member of the Board of Managers (since 2006), Managing Director (since 2000), Babson Capital; President (2005-2009), Vice President (1993-2005) of the Trust.</p>	<p>2</p>	<p>Chairman and Trustee (since 2009), President (2005-2009), Vice President (1993-2009), Babson Capital Participation Investors; President (since 2009), Senior Vice President (1996-2009), HYP Management LLC (LLC Manager); Director (2005-2013), MassMutual Corporate Value Limited (investment company); Director (2005-2013), MassMutual Corporate Value Partners Limited (investment company); Director (since 2008), Jefferies Finance LLC (finance company); Chairman and Chief Executive Officer (since 2009), Manager (since 2007), MMC Equipment Finance LLC; Director (since 2011), Wood Creek Capital Management, LLC (investment advisory firm); Chairman (since 2009), Trustee (since 2005), President (2005-2009), CI Subsidiary Trust and PI Subsidiary Trust; Member of Investment Committee (since 1999), Diocese of Springfield; and Member of Investment Committee (since 2015), Baystate Health Systems</p>

\* Mr. Noreen is classified as an "interested person" of the Trust and Babson Capital (as defined by the Investment Company Act of 1940, as amended) because of his position as an Officer of the Trust and President of Babson Capital.

## INTERESTED TRUSTEES

Name (Age), Address	Position With The Trust	Office Term / Length of Time Served	Principal Occupations During Past 5 Years	Portfolios Overseen in Fund Complex	Other Directorships Held by Director
<b>Robert E. Joyal* (71)</b> Babson Capital Corporate Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee/ Nominee	Term expires 2016; Trustee since 2003	Retired (since 2003); President (2001-2003), Babson Capital; and President (1993-2003) of the Trust.	95	Trustee (since 2003), President (1993-2003), Babson Capital Participation Investors; Director (2006-2014), Jefferies Group, Inc. (financial services); Director (2007-2011), Scottish Re Group Ltd. (global life reinsurance specialist); Trustee (since 2003), MassMutual Select Funds (an open-end investment company advised by MassMutual); Trustee (since 2003), MML Series Investment Fund (an open-end investment company advised by MassMutual); Trustee (since 2012), MML Series Investment Fund II (an open-ended investment company advised by MassMutual); Trustee (since 2012), MassMutual Premier Funds (an open-ended investment company advised by MassMutual); Director (since 2012), Ormat Technologies, Inc. (a geothermal energy company); Director (since 2013), Leucadia National Corporation (holding company owning businesses ranging from insurance to telecommunications); and Director (since 2013), Baring Asset Management Korea Limited (company that engages in asset management, business administration and investment management).

\* Mr. Joyal retired as President of Babson Capital in June 2003. In addition and as noted above, Mr. Joyal is a director of Leucadia National Corporation, which is the parent company of Jefferies Group, Inc., and a former Director of Jefferies Group, Inc., which has a wholly-owned broker-dealer subsidiary that may execute portfolio transactions and/or engage in principal transactions with the Trust, other investment companies advised by Babson Capital or any other advisory accounts over which Babson Capital has brokerage placement discretion. Accordingly, the Trust has determined to classify Mr. Joyal as an "interested person" of the Trust and Babson Capital (as defined by the Investment Company Act of 1940, as amended).

**INDEPENDENT TRUSTEES**

Name (Age), Address	Position With The Trust	Office Term / Length of Time Served	Principal Occupations During Past 5 Years	Portfolios Overseen in Fund Complex	Other Directorships Held by Director
<p><b>William J. Barrett (76)</b>                      Babson Capital                      Corporate Investors                      1500 Main Street                      P.O. Box 15189                      Springfield, MA 01115-5189</p>	Trustee	Term expires 2018; Trustee since 2006	President (since 2010), WJ Barrett Associates, Inc.; President (2002-2010), Barrett-Gardner Associates, Inc. (private merchant bank).	2	Trustee (since 2006), Babson Capital Participation Investors; Director (since 1979), TGC Industries, Inc. (geophysical services); Director and Secretary (since 2001 and from 1996-1997), Chase Packaging Corporation (agricultural services); Chairman and Director (2000-2012), Rumson-Fair Haven Bank and Trust Company (commercial bank and trust company); and Director (since 1983), Executive Vice President, Secretary and Assistant Treasurer (since 2004), Supreme Industries, Inc. (specialized truck and body manufacturer).
<p><b>Michael H. Brown (58)</b>                      Babson Capital                      Corporate Investors                      1500 Main Street                      P.O. Box 15189                      Springfield, MA 01115-5189</p>	Trustee	Term expires 2017; Trustee since 2005	Private Investor; and Managing Director (1994-2005), Morgan Stanley.	2	Trustee (since 2005), Babson Capital Participation Investors; Independent Director (2006-2014), Invicta Holdings LLC and its subsidiaries (a derivative trading company owned indirectly by MassMutual).
<p><b>Barbara M. Ginader (59)</b>                      Babson Capital                      Corporate Investors                      1500 Main Street                      P.O. Box 15189                      Springfield, MA 01115-5189</p>	Trustee	Term expires 2017; Trustee since October 2013	Managing Director and General Partner (since 1993), Boston Ventures Management (private equity firm).	2	Trustee (since 2013), Babson Capital Participation Investors; Managing Director (since 1993), Boston Ventures VI L.P. (private equity fund); Managing Director (since 1993), Boston Ventures V L.P. (private equity fund); Member of the Board Overseers (2013-2014), MSPCA-Angell; Member of the Grants Committee (since 2013), IECA Foundation; and President of the Board (2006-2012), Codman Academy Public Charter School.

## INDEPENDENT TRUSTEES

Name (Age), Address	Position With The Trust	Office Term / Length of Time Served	Principal Occupations During Past 5 Years	Portfolios Overseen in Fund Complex	Other Directorships Held by Director
<b>Edward P. Grace III (65)</b> Babson Capital Corporate Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee/ Nominee	Term expires 2016; Trustee since 2012	President (since 1997), Phelps Grace International, Inc. (investment management); Managing Director (since 1998), Grace Ventures Partners LP (venture capital fund); Senior Advisor (since 2011), Angelo Gordon & Co. (investment adviser).	2	Trustee (since 2012), Babson Capital Participation Investors; Director (since 2010), Larkburger, Inc. (restaurant chain); Director (since 2012), Benihana, Inc. (restaurant chain); Director (since 2011), Firebirds Wood Fired Holding Corporation (restaurant chain), Director (since 1998), Shawmut Design and Construction (construction management and general contracting firm); Director (2004-2012), Not Your Average Joe's, Inc. (restaurant chain).
<b>Susan B. Sweeney (63)</b> Babson Capital Corporate Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee/ Nominee	Term expires 2016; Trustee since 2012	Retired (since 2014); Senior Vice President and Chief Investment Officer (2010-2014), Selective Insurance Company of America; Senior Managing Director (2008-2010), Ironwood Capital.	95	Trustee (since 2012), Babson Capital Participation Investors; Trustee (since 2009), MassMutual Select Funds (an open-ended investment company advised by MassMutual); Trustee (since 2009), MML Series Investment Fund (an open-ended investment company advised by MassMutual); Trustee (since 2012), MassMutual Premier Funds (an open-ended investment company advised by MassMutual); Trustee (since 2012), MML Series Investment Fund II (an open-ended investment company advised by MassMutual).
<b>Maleyne M. Syracuse (59)</b> Babson Capital Corporate Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee	Term expires 2017; Trustee since 2007	Private Investor; Managing Director (1999-2000), JP Morgan Securities, Inc. (investments and banking); Managing Director (1999-2000), Deutsche Bank Securities; Managing Director (1981-1999), Bankers Trust/ BT Securities	2	Trustee (since 2007), Babson Capital Participation Investors.

**OFFICERS OF THE TRUST**

Name (Age), Address	Position With The Trust	Office Term / Length of Time Served	Principal Occupations During Past 5 Years
<p><b>Michael L. Klofas (55)</b>                      Babson Capital                      Corporate Investors                      1500 Main Street                      P.O. Box 15189                      Springfield, MA 01115-5189</p>	President	Since 2009	Vice President (1998-2009) of the Trust; President (since 2009), Vice President (1998-2009), Babson Capital Participation Investors; Managing Director (since 2000), Babson Capital; and President (since 2009), Vice President (2005-2009), CI Subsidiary Trust and PI Subsidiary Trust.
<p><b>Janice M. Bishop (51)</b>                      Babson Capital                      Corporate Investors                      1500 Main Street                      P.O. Box 15189                      Springfield, MA 01115-5189</p>	Vice President, Secretary and Chief Legal Officer	Since 2015	Associate Secretary (2008-2015) of the Trust; Vice President, Secretary and Chief Legal Officer (since 2015), Associate Secretary (2008-2015), Babson Capital Participation Investors; Vice President, Secretary and Chief Legal Officer (since 2013), Babson Capital Funds Trust; Vice President, Secretary and Chief Legal Officer (since 2012), Babson Capital Global Short Duration High Yield Fund; Senior Counsel and Managing Director (since 2014), Counsel (2007-2014), Babson Capital; Vice President and Secretary (since 2015), Assistant Secretary (2008-2015), CI Subsidiary Trust and PI Subsidiary Trust.
<p><b>James M. Roy (53)</b>                      Babson Capital                      Corporate Investors                      1500 Main Street                      P.O. Box 15189                      Springfield, MA 01115-5189</p>	Vice President and Chief Financial Officer	Since 2005	Treasurer (2003-2005), Associate Treasurer (1999-2003) of the Trust; Vice President and Chief Financial Officer (since 2005), Treasurer (2003-2005), Associate Treasurer (1999-2003), Babson Capital Participation Investors; Managing Director (since 2005), Director (2000-2005), Babson Capital; and Trustee (since 2005), Treasurer (since 2005), Controller (2003-2005), CI Subsidiary Trust and PI Subsidiary Trust.
<p><b>Melissa M. LaGrant (42)</b>                      Babson Capital                      Corporate Investors                      1500 Main Street                      P.O. Box 15189                      Springfield, MA 01115-5189</p>	Chief Compliance Officer	Since 2006	Chief Compliance Officer (since 2006), Babson Capital Participation Investors; Chief Compliance Officer (since 2013), Babson Capital Finance LLC; Chief Compliance Officer (since 2013), Babson Capital Funds Trust; Chief Compliance Officer (since 2012), Babson Capital Global Short Duration High Yield Fund; Managing Director (since 2005), Babson Capital.
<p><b>Daniel J. Florence (43)</b>                      Babson Capital                      Corporate Investors                      1500 Main Street                      P.O. Box 15189                      Springfield, MA 01115-5189</p>	Treasurer	Since 2008	Associate Treasurer (2006-2008) of the Trust; Treasurer (since 2008), Associate Treasurer (2006-2008), Babson Capital Participation Investors; and Director (since 2013), Associate Director (2008-2013), Analyst (2000-2008), Babson Capital.

\* Officers hold their position with the Trust until a successor has been duly elected and qualified. Officers are generally elected annually by the Board of Trustees of the Trust. The officers were last elected on July 22, 2015.

## OFFICERS OF THE TRUST

Name (Age), Address	Position With The Trust	Office Term /Length of Time Served	Principal Occupations During Past 5 Years
<b>Sean Feeley (48)</b> Babson Capital Corporate Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Vice President	Since 2011	Vice President (since 2011), Babson Capital Participation Investors; Vice President (since 2012), Babson Capital Global Short Duration High Yield Fund; Managing Director (since 2003), Babson Capital; and Vice President (since 2011), CI Subsidiary Trust and PI Subsidiary Trust.
<b>Robert M. Shettle (48)</b> Babson Capital Corporate Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Vice President	Since 2015	Vice President (since 2015), Babson Capital Participation Investors; Managing Director (since 2006), Director (1998-2006), Babson Capital; Vice President (since 2005), CI Subsidiary Trust and PI Subsidiary Trust.

\* Officers hold their position with the Trusts until a successor has been duly elected and qualified. Officers are generally elected annually by the Board of Trustees of each Trust. The officers were last elected on July 22, 2015.

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## DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

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

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

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

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

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

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

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

### Members of the Board of Trustees

William J. Barrett President, W J Barrett Associates, Inc.	Michael H. Brown* Private Investor	Barbara M. Ginader Managing Director and General Partner Boston Ventures Management
Edward P. Grace President Phelps Grace International, Inc	Robert E. Joyal Retired President, Babson Capital Management LLC	Clifford M. Noreen President, Babson Capital Management LLC
Susan B. Sweeney* Private Investor	Maleyne M. Syracuse* Private Investor	

### Officers

Clifford M. Noreen Chairman	Michael L. Klofas President	James M. Roy Vice President & Chief Financial Officer
Janice M. Bishop Vice President, Secretary & Chief Legal Officer	Sean Feeley Vice President	Robert M. Shettle Vice President
Daniel J. Florence Treasurer	Melissa M. LaGrant Chief Compliance Officer	

\* Member of the Audit Committee



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