

BABSON CAPITAL CORPORATE INVESTORS  
Form N-CSRS  
September 08, 2016

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT**  
**INVESTMENT COMPANIES**

Investment Company Act file number 811-2183

**Babson Capital Corporate Investors**

(Exact name of registrant as specified in charter)

1500 Main Street, P.O. Box 15189, Springfield, MA 01115-5189  
(Address of principal executive offices) (Zip code)

Janice M. Bishop, Vice President, Secretary and Chief Legal Officer

Independence Wharf, 470 Atlantic Ave., Boston, MA 02210  
(Name and address of agent for service)

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

Date of fiscal year end: 12/31

Date of reporting period: 06/30/16

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

**ITEM 1. REPORT TO STOCKHOLDERS.**

Attached hereto is the semi-annual shareholder report transmitted to shareholders pursuant to Rule 30e-1 of the Investment Company Act of 1940, as amended.

Babson Capital  
Corporate Investors

Report for the  
Six Months Ended June 30, 2016

## Adviser

Babson Capital Management LLC

1500 Main Street, P.O. Box 15189

Springfield,  
Massachusetts  
01115-5189

## Independent Registered Public Accounting Firm

KPMG LLP

Boston, Massachusetts  
02110

## Counsel to the Trust

Ropes & Gray LLP

Boston, Massachusetts  
02110

## Custodian

State Street Bank and Trust Company

Boston, Massachusetts  
02116

## Transfer Agent & Registrar

DST Systems, Inc.

P.O. Box 219086

Kansas City, Missouri 64121-9086

1-800-647-7374

## Internet Website

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

## Babson Capital Corporate Investors

c/o Babson Capital Management LLC

1500 Main Street, Suite 2200

Springfield, Massachusetts 01115

(413) 226-1516

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## Investment Objective and Policy

Babson Capital  
Corporate Investors  
(the "Trust") is a  
c l o s e d - e n d

## Proxy Voting Policies & Procedures; Proxy Voting Record

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

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

<http://www.babsoncapital.com/funds/closed-end-funds/babson-capital-corporate-investors;> and (2) on the SEC's website at <http://www.sec.gov>.

### Legal Matters

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

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

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

The Trust's investment objective is to maintain a portfolio of securities providing a current yield and at the same time offering an opportunity for capital gains. The Trust's principal investments are privately placed, below-investment grade, long-term debt obligations. Such direct placement securities may, in some cases, be accompanied by equity features such as common stock, warrants, conversion rights, or other equity features and, occasionally, preferred stocks. The Trust typically purchases these investments, which are

not publicly tradable, directly from their issuers in private placement transactions. These investments are typically mezzanine debt instruments with accompanying private equity securities made to small or middle market companies. In addition, the Trust may invest, subject to certain limitations, in marketable investment grade debt securities, other marketable debt securities (including high yield securities) and marketable common stocks. Below-investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest and repay principal.

Babson Capital Management LLC ("Babson Capital") manages the Trust on a total return basis. The Trust distributes substantially all of its net income to shareholders each year. Accordingly, the Trust pays dividends to shareholders in January, May, August, and November. The

Trust pays dividends to its shareholders in cash, unless the shareholder elects to participate in the Dividend Reinvestment and Share Purchase Plan.

### Form N-Q

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



c a l l i n g  
1-800-SEC-0330). A  
complete schedule  
of portfolio holdings  
a s o f e a c h  
quarter-end is  
available upon  
request by calling,  
t o l l - f r e e ,  
866-399-1516.

## **TO OUR SHAREHOLDERS**

**July 31, 2016**

We are pleased to present the June 30, 2016 Quarterly Report of Babson Capital Corporate Investors (the "Trust"). At the Trust's Annual Meeting of Shareholders, which was held on April 22, 2016, Michael L. Klofas announced that he was retiring from Babson Capital and as President of the Trust, effective June 1st. The Trust also announced that Robert M. Shettle will succeed Mr. Klofas as President of the Trust effective June 1, 2016. Mr. Shettle is currently head of Babson Capital's Mezzanine and Private Equity Group, where he focuses on originating, analyzing, structuring and documenting mezzanine and private equity investments.

The Board of Trustees declared a quarterly dividend of \$0.30 per share, payable on August 12, 2016 to shareholders of record on August 1, 2016. The Trust paid a \$0.30 per share dividend for the preceding quarter. The Trust earned \$0.28 per share of net investment income for the second quarter of 2016, compared to \$0.24 per share, including \$0.03 per share of non-recurring income, in the previous quarter.

During the second quarter, the net assets of the Trust increased to \$285,537,748 or \$14.48 per share compared to \$282,588,113 or \$14.35 per share on March 31, 2016. This translates into a 3.0% total return for the quarter, based on the change in the Trust's net assets assuming the reinvestment of all dividends. Longer term, the Trust returned 5.1%, 10.7%, 11.8%, 10.3%, and 13.7% for the 1, 3, 5, 10, and 25-year periods, respectively, based on the change in the Trust's net assets assuming the reinvestment of all dividends.

The Trust's share price increased 5.6% during the quarter, from \$17.01 per share as of March 31, 2016 to \$17.97 per share as of June 30, 2016. The Trust's market price of \$17.97 per share equates to a 24.3% premium over the June 30, 2016 net asset value per share of \$14.48. The Trust's average quarter-end premium for the 3, 5 and 10-year periods was 11.0%, 16.0% and 13.2%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, increased 3.8% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, increased 2.5% for the quarter.

The Trust closed five new private placement investments, as well as two add-on investments in existing portfolio companies, during the second quarter. The five new investments were in API Technologies Corp., CORA Health Services, Inc., Money Mailer Equity LLC, NSi Industries Holdings, Inc. and Software Paradigms International Group, LLC, while the add-on investments were in Church Services Holding Company and Handi Quilter Holding Company. 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 \$16,005,000.

Despite broad middle market acquisition activity metrics being notably lower than in 2015, our deal flow remained robust and our investment activity continued at an active pace during the second quarter. Barring any external shocks to the market, we expect deal flow to remain steady for the balance of the year and therefore, are cautiously optimistic about the prospects for new investment activity for the Trust in 2016. I say "cautiously" optimistic regarding the prospects for new investments due to the high purchase prices and debt levels that are increasingly present in middle market buyout transactions, combined with downward pressure on investment returns. Purchase multiples continue to be well above historical averages, and while leverage multiples appear to have decreased modestly, they are still well above historical averages. More recently, investment returns have been under some pressure as well, as new competitors enter the market due to the attractive yields the middle market offers relative to other market segments. While we are actively making new investments on behalf of the Trust, we do so cautiously and with credit 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 unwilling to provide financial leverage at levels we consider to be imprudent, an approach that has served us well over the long term and through various market cycles.

The Trust's existing portfolio remains in solid condition with the number of companies on our watch list and/or in default continuing to be below historical averages. We exited seven investments during the quarter, five of which resulted in realized gains while two long-time troubled investments, Transpac and NABCO, were realized at a loss. In two of the five successful exits, the Trust reinvested with the new buyer. We also had one Company prepay the remaining balance of its debt instruments held by the Trust. Of note, we have a notable list of portfolio companies that we expect to be sold over the next two to three quarters.

While the Trust was able to maintain its \$0.30 per share quarterly dividend for the second quarter, we must make note again, as we have for over two years now, that this dividend level may not be sustainable. The Trust's net investment income per share from recurring sources of \$0.28 for the second quarter was once again below the dividend rate. Net investment income per share from recurring sources has been below the dividend rate for every quarter since the third quarter of 2013. As we have discussed in prior reports, net investment income is down due principally to the considerable reduction in the number of private debt securities in the portfolio resulting from the high level of exit and

(Continued)

prepayment activity that occurred in 2013 and 2014, and the challenges of replacing that level of exits and prepayments in a prudent and timely manner. With several strong recent quarters of new investment activity, we have made some progress in rebuilding the private portfolio, but it is still below its former size. We have been able to maintain the \$0.30 per share quarterly dividend with current income, non-recurring income and earnings carried forward from prior quarters. Over time, however, the Trust's dividend-paying ability tends to be correlated with its recurring earnings capacity. This quarter, the Trust utilized \$0.02 per share of earnings carry-forwards to maintain the \$0.30 per share quarterly dividend. The Trust continues to have earnings carry-forwards which should be available to supplement recurring income for the next few quarters. But unless market conditions change dramatically, it is still unlikely that we will be able to completely rebuild the portfolio back to its former size in the near term and grow net investment income. As a result, barring an unforeseen favorable change in the market, it is a distinct possibility that in 2017 we will have to reduce the dividend from the current \$0.30 per share quarterly rate. As we move through the coming quarters, 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.

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

Sincerely,

Robert M. Shettle

President

**Portfolio Composition as of 6/30/16\***

\* Based on market value of total investments (including cash)

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

**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****June 30, 2016****(Unaudited)****Assets:**

## Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value

(Cost - \$206,628,159) \$ 210,254,675

Corporate restricted securities at market value

(Cost - \$53,721,202) 52,297,513

Corporate public securities at market value

(Cost - \$38,540,883) 37,694,969

Total investments (Cost - \$298,890,244) 300,247,157

Cash 16,099,053

Interest receivable 3,203,816

Receivable for investments sold 122,644

Other assets 6,726

**Total assets 319,679,396****Liabilities:**

Note payable 30,000,000

Payable for investments purchased 1,364,640

Deferred tax liability 1,268,290

Investment advisory fee payable 892,305

Interest payable 202,400

Tax payable 103,128

Accrued expenses 310,885

**Total liabilities 34,141,648****Total net assets \$ 285,537,748**

**Net Assets:**

Common shares, par value \$1.00 per share	\$ 19,723,927
Additional paid-in capital	112,349,597
Retained net realized gain on investments, prior years	143,724,071
Undistributed net investment gain	8,664,248
Accumulated net realized gain on investments	987,282
Net unrealized depreciation of investments	88,623
<b>Total net assets</b>	<b>\$ 285,537,748</b>
<b>Common shares issued and outstanding (28,054,782 authorized)</b>	<b>19,723,927</b>
<b>Net asset value per share</b>	<b>\$ 14.48</b>

See Notes to Consolidated Financial Statements

**CONSOLIDATED STATEMENT OF OPERATIONS****For the six months ended June 30, 2016****(Unaudited)****Investment Income:**

Interest	\$ 12,911,042
Dividends	246,043
Other	170,414
<b>Total investment income</b>	<b>13,327,499</b>

**Expenses:**

Investment advisory fees	1,775,393
Interest	792,000
Trustees' fees and expenses	195,000
Professional fees	105,126
Reports to shareholders	57,000
Custodian fees	16,800
Other	73,704
<b>Total expenses</b>	<b>3,015,023</b>

<b>Investment income - net</b>	<b>10,312,476</b>
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**Net realized and unrealized gain on investments:**

Net realized loss on investments before taxes	(539,675)
Income tax expense	(323,223)
Net realized loss on investments after taxes	(862,898)
Net change in unrealized appreciation of investments before taxes	5,230,432
Net change in deferred income tax expense	(140,113)
Net change in unrealized appreciation of investments after taxes	5,090,319



<b>Net gain on investments</b>	<b>4,227,421</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$ 14,539,897</b>

See Notes to Consolidated Financial Statements

**CONSOLIDATED STATEMENT OF CASH FLOWS****For the six months ended June 30, 2016****(Unaudited)****Net increase in cash:**

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$ 6,911,963
Purchases of portfolio securities	(43,516,740)
Proceeds from disposition of portfolio securities	47,229,394
Interest, dividends and other income received	11,974,301
Interest expense paid	(792,000)
Operating expenses paid	(2,208,161)
Income taxes paid	(1,610,327)
<b>Net cash provided by operating activities</b>	<b>17,988,430</b>

Cash flows from financing activities:

Cash dividends paid from net investment income	(11,807,804)
Receipts for shares issued on reinvestment of dividends	990,955
<b>Net cash used for financing activities</b>	<b>(10,816,849)</b>

<b>Net increase in cash</b>	<b>7,171,581</b>
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Cash - beginning of year	8,927,472
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<b>Cash - end of period</b>	<b>\$ 16,099,053</b>
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**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>\$ 14,539,897</b>
Decrease in investments	2,973,136
Decrease in interest receivable	306,062
Increase in receivable for investments sold	(122,644)
Decrease in other assets	59,468

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Increase in payable for investments purchased	1,364,640
Increase in deferred tax liability	140,113
Increase in investment advisory fee payable	30,070
Decrease in tax payable	(1,287,104)
Decrease in accrued expenses	(15,208)
<b>Total adjustments to net assets from operations</b>	<b>3,448,533</b>
<b>Net cash provided by operating activities</b>	<b>\$ 17,988,430</b>

See Notes to Consolidated Financial Statements

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

	For the six months ended 06/30/2016 (Unaudited)	For the year ended 12/31/2015
<b>Increase in net assets:</b>		
Operations:		
Investment income - net	\$ 10,312,476	\$ 20,423,963
Net realized (loss)/gain on investments after taxes	(862,898)	1,884,370
Net change in unrealized appreciation/(depreciation) of investments after taxes	5,090,319	(5,025,211)
Net increase in net assets resulting from operations	14,539,897	17,283,122
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2016 - 59,223; 2015 - 131,288)	990,955	2,041,729
Dividends to shareholders from:		
Net investment income (2016 - \$0.30 per share; 2015 - \$1.20 per share)	(5,908,393)	(23,539,826)
<b>Total increase/(decrease) in net assets</b>	<b>9,622,459</b>	<b>(4,214,975)</b>
<b>Net assets, beginning of period/year</b>	<b>275,915,289</b>	<b>280,130,264</b>
<b>Net assets, end of period/year</b> (including undistributed net investment income		
of \$8,664,248 and \$4,260,165, respectively)	<b>\$ 285,537,748</b>	<b>\$ 275,915,289</b>

See Notes to Consolidated Financial Statements

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

	For the six months ended 06/30/2016 (Unaudited)	2015	For the years ended December 31,		
			2014	2013	2012
Net asset value:					
Beginning of period/year	\$ 14.03	\$ 14.34	\$ 13.85	\$ 13.38	\$ 12.69
Net investment income (a)	0.52	1.04	1.23	1.18	1.28
Net realized and unrealized gain (loss) on investments	0.22	(0.16)	0.45	0.48	0.69
Total from investment operations	0.74	0.88	1.68	1.66	1.97
Dividends from net investment income to common shareholders	(0.30)	(1.20)	(1.20)	(1.20)	(1.25)
Dividends from realized gain on investments to common shareholders	-	-	-	-	(0.05)
Increase from dividends reinvested	0.01	0.01	0.01	0.01	0.02
Total dividends	(0.29)	(1.19)	(1.19)	(1.19)	(1.28)
Net asset value: End of period/year	\$ 14.48	\$ 14.03	\$ 14.34	\$ 13.85	\$ 13.38
Per share market value: End of period/year	\$ 17.97	\$ 17.25	\$ 15.89	\$ 14.93	\$ 15.28
Total investment return					
Net asset value (b)	5.36%	6.20%	13.78%	12.76%	17.07%
Market value (b)	6.02%	17.01%	16.53%	5.93%	(7.11)%
Net assets (in millions): End of period/year	\$285.54	\$275.92	\$280.13	\$268.69	\$257.38

Ratio of total expenses to average net assets	2.39% <sup>(d)</sup>	2.56%	3.66%	2.42%	3.17%
Ratio of operating expenses to average net assets	1.59% <sup>(d)</sup>	1.67%	1.65%	1.64%	1.66%
Ratio of interest expense to average net assets	0.57% <sup>(d)</sup>	0.55%	0.57%	0.59%	0.63%
Ratio of income tax expense to average net assets (c)	0.23% <sup>(d)</sup>	0.34%	1.44%	0.19%	0.88%
Ratio of net investment income to average net assets	7.37% <sup>(d)</sup>	7.12%	8.57%	8.50%	9.78%
Portfolio turnover	15%	29%	38%	34%	34%

**(a) Calculated using average shares.**

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

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

**(d) Annualized.**

Senior borrowings:

Total principal amount (in millions)	\$	30	\$	30	\$	30	\$	30	\$	30
Asset coverage per \$1,000 of indebtedness	\$	10,518	\$	10,197	\$	10,338	\$	9,956	\$	9,579

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities - 91.95%:</b>	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>(A)</b>				
<b>Private Placement Investments - 73.63%: (C)</b>				
<b>1492 Acquisition LLC</b>				
A leading producer of premium Italian cured meats and deli meats in the U.S.				
Limited Liability Company Unit Class A Preferred (B)	245 uts.	10/17/12	\$ 245,450	\$ 322,415
Limited Liability Company Unit Class A Common (B)	27,273 uts.	10/17/12	27,273	288,941
			<b>272,723</b>	<b>611,356</b>
<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	656,355
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	-
			<b>1,564,893</b>	<b>656,355</b>
<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	410,249	431,909
Preferred Stock Series A (B)	300,000 shs.	08/01/12	300,000	482,435
Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)	53,794 shs.	08/01/12	101,870	80,768



812,119 995,112

**Advanced Manufacturing Enterprises LLC**

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

**Advanced Technologies Holdings**

A provider of factory maintenance services to industrial companies.

Preferred Stock Series A (B)	287 shs.	12/27/07	141,915	509,436
Convertible Preferred Stock Series B (B)	52 shs.	01/04/11	40,800	93,243
			182,715	602,679

**AFC - Dell Holding Corporation**

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	\$2,429,376	03/27/15	2,389,672	2,477,964
Preferred Stock (B)	2,276 shs.	03/27/15	227,558	227,272
Common Stock (B)	703 shs.	03/27/15	703	-
			2,617,933	2,705,236

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Airxcel Holdings</b>				
A leading manufacturer of a broad range of climate control solutions, including air-conditioners, heat pumps, cooking appliances, furnaces, powered vents, and water heaters.				
12.5% Senior Subordinated Note due 11/18/2020	\$2,988,596	11/18/14	\$2,941,917	\$3,055,374
Limited Liability Company Unit	583 uts.	11/18/14	583,000	636,079
			3,524,917	3,691,453
<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	695,937
<b>Animal Supply Company</b>				
A distributor of pet products to independent pet stores, veterinary clients and other pet specialty retailers.				
11.75% Second Lien Term Loan due 09/17/2019	\$3,570,000	03/30/15	3,532,302	3,424,607
<b>API Technologies Corp.</b>				
A designer, developer and manufacturer of electronic systems, subsystems, modules and secure communications for technically demanding defense, aerospace and commercial applications in the U.S. and internationally.				
12% Senior Subordinated Note due 04/22/2023	\$2,800,000	04/22/16	2,748,167	2,845,637
Limited Liability Company Unit (B)	700,000 uts.	04/20/16	700,000	700,000
			3,448,167	3,545,637

**ARI Holding Corporation**

A leading national supplier of products used primarily by specialty contractors.

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11.5% Senior Subordinated Note due 02/01/2020	\$ 3,417,675		3,378,944	3,425,061
Limited Partnership Interest	1,048 uts.	08/01/14	1,047,900	1,126,336
* 05/21/13 and 08/01/14.			4,426,844	4,551,397

**ASC Holdings, Inc.**

A manufacturer of capital equipment used by corrugated box manufacturers.

13% Senior Subordinated Note due 05/18/2021	\$ 1,511,641	11/19/15	1,483,991	1,505,179
Limited Liability Company Unit (B)	225,300 uts.	11/18/15	225,300	125,943
			1,709,291	1,631,122

**Aurora Parts & Accessories LLC**

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	3,019,738	3,157,851
Preferred Stock (B)	425 shs.	08/17/15	424,875	394,507
Common Stock (B)	425 shs.	08/17/15	425	-
			3,445,038	3,552,358

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<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 01/31/2021 (D)	\$ 1,015,684	07/31/14	\$ 996,694	\$ -
Limited Liability Company Unit	92,327 uts.	*	-	-
* 07/31/14 and 10/14/15.			996,694	-
<b>Blue Wave Products, Inc.</b>				
A distributor of pool supplies.				
10% Senior Secured Term Note due 09/30/2018	\$ 402,128	10/12/12	398,525	402,128
13% Senior Subordinated Note due 09/30/2019	\$ 741,971	10/12/12	710,811	741,971
Common Stock (B)	114,894 shs.	10/12/12	114,894	453,889
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	45,486 shs.	10/12/12	45,486	179,693
			1,269,716	1,777,681
<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	\$ 3,229,796	06/30/15	3,173,724	2,868,107
Common Stock (B)	2,876 shs.	06/30/15	318,200	148,174
			3,491,924	3,016,281

**BP SCI LLC**

A leading value-added distributor of branded pipes, valves, and fittings (PVF) to diversified end markets.

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Limited Liability Company Unit Class A (B)	1,000 uts.	10/17/12	100,000	275,815
Limited Liability Company Unit Class B (B)	400 uts.	10/17/12	400,000	605,224
			500,000	881,039

**CG Holdings Manufacturing Company**

A coating provider serving the automotive, agricultural, heavy truck and other end markets.

13% Senior Subordinated Note 11/01/2019	\$3,390,252	*	3,264,715	3,390,252
Preferred Stock (B)	3,241 shs.	*	324,054	391,219
Preferred Stock (B)	1,174 shs.	*	116,929	141,742
Common Stock (B)	337 shs.	*	35,673	137,245
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	137 shs.	*	13,033	55,839
* 05/09/13 and 11/01/13.			3,754,404	4,116,297

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<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	\$ 2,321,830	01/19/11	\$ 2,281,609	\$ 2,321,831
14% Senior Subordinated Note due 08/03/2019	\$ 608,789	08/03/12	602,466	608,789
Common Stock (B)	1,125 shs.	01/19/11	112,500	148,830
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	884 shs.	01/19/11	87,750	116,990
			3,084,325	3,196,440
<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	\$ 575,664	03/26/12	568,157	537,357
10% Senior Subordinated Note due 09/15/2099	\$ 20,559	09/15/14	20,559	-
Preferred Stock (B)	1,672 shs.	04/11/16	167,240	-
Common Stock (B)	3,981 shs.	*	398,100	-
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	172 shs.	03/26/12	17,220	-
* 03/26/12, 05/25/12 and 06/19/12.			1,171,276	537,357
<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	\$ 3,266,286	10/01/14	3,213,720	3,266,286

04/01/2021

Common Stock (B)	3,182 shs.	10/01/14	318,182	102,814
			3,531,902	3,369,100

**Clough, Harbour and Associates**

An engineering service firm that is located in Albany, NY.

Preferred Stock (B)	277 shs.	12/02/08	276,900	1,307,672
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**Compass Chemical International LLC**

A manufacturer and supplier of standard and specialty formulated chemicals, primarily phosphoric acid derivatives called phosphonates.

Limited Liability Company Unit (B)	467 uts.	03/04/15	298,900	228,685
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**Connecticut Electric, Inc.**

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	199,218
Limited Liability Company Unit Class C (B)	112,873 uts.	01/12/07	112,873	153,782
Limited Liability Company Unit Class D (B)	1,268,437 uts.	05/03/10	-	1,598,223
Limited Liability Company Unit Class E (B)	2,081 uts.	05/03/10	-	242,800
			268,919	2,194,023

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

**June 30, 2016****(Unaudited)**

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>CORA Health Services, Inc.</b>				
A provider of outpatient rehabilitation therapy services.				
12.75% Senior Subordinated Note due 06/30/2023	\$ 1,538,461	06/30/16	\$ 1,507,703	\$ 1,538,461
Preferred Stock Series A (B)	1,538 shs.	06/30/16	146,154	146,154
Common Stock Class A (B)	7,692 shs.	06/30/16	7,692	7,692
			1,661,549	1,692,307
<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	\$ 2,555,291	11/22/13	2,523,480	2,560,653
Common Stock (B)	155 shs.	11/22/13	886,364	813,386
			3,409,844	3,374,039
<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	\$ 3,336,060	05/04/12	3,303,601	3,336,060
Preferred Stock (B)	61 shs.	05/04/12	605,841	697,024
Common Stock (B)	61 shs.	05/04/12	67,316	-
			3,976,758	4,033,084
<b>Dunn Paper</b>				
A provider of specialty paper for niche product applications.				
Preferred Stock (B)	530shs.	12/30/14	530,303	1,847,549



**Eagle Family Foods, Inc.**

A producer of low-cost branded and private label canned milk.

10.05% Last Out Term Loan due 12/31/2021	\$ 3,500,000	12/22/15	3,451,883	3,490,908
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**ECG Consulting Group**

A healthcare management consulting company who provides strategic, financial, operational, and technology related consulting services to healthcare providers.

11.75% Senior Subordinated Note due 11/21/2020	\$ 2,656,827	11/21/14	2,609,124	2,709,963
Limited Liability Company Unit (B)	467 uts.	11/19/14	145,833	142,190
			2,754,957	2,852,153

**ERG Holding Company LLC**

A provider of inpatient and outpatient clinical trial services to pharmaceutical companies and contract research organizations.

13.5% Senior Subordinated Note due 10/04/2019	\$ 1,952,119	04/04/14	1,926,411	1,971,640
Common Stock (B)	63 shs.	04/04/14	157,314	169,911
			2,083,725	2,141,551

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (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	\$ 227,132
Limited Liability Company Unit Common (B)	512 uts.	09/27/10	51,220	388,400
			226,255	615,532
<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	885,287
Limited Liability Company Unit Class B-2 (B)	49,488 uts.	12/15/10	49,488	110,988
Limited Liability Company Unit Class B-3 (B)	39,130 uts.	08/30/12	90,000	97,933
Limited Liability Company Unit Class C (B)	9,449 uts.	12/20/10	96,056	178,810
			630,281	1,756,373
<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	2,881,350	2,959,025
Common Stock (B)	300 shs.	05/01/15	300,485	384,612
			3,181,835	3,343,637

**G C Holdings**

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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	383,207
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**GD Dental Services LLC**

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	237,098
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Limited Liability Company Unit Common (B)	1,840 uts.	10/05/12	1,840	76,603
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			184,049	313,701
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**GenNx Novel Holding, Inc.**

A manufacturer and distributor of nutraceutical ingredients.

13% Senior Subordinated Note due 03/27/2020	\$3,250,231	03/27/14	3,204,967	2,939,903
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Common Stock (B)	31,500 shs.	03/27/14	315,000	126,146
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			3,519,967	3,066,049
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**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<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	\$2,898,986	03/27/13	\$2,868,457	\$2,866,044
Common Stock (B)	2,835 shs.	03/27/13	283,465	264,345
			3,151,922	3,130,389
<b>Glynlyon Holding Companies, Inc.</b>				
A technology-enabled curriculum provider of K-12 and support services predominantly to small and medium public school districts.				
12% Senior Subordinated Note due 01/15/2022	\$3,215,631	01/15/16	3,155,039	3,312,100
Common Stock (B)	299 shs.	01/15/16	299,145	308,408
			3,454,184	3,620,508
<b>GlynnDevins Acquisition Corporation</b>				
A marketing communications agency that service senior living facilities.				
13% Senior Subordinated Note due 12/19/2020	\$1,616,656	06/19/15	1,589,689	1,648,989
Preferred Stock Series A (B)	695 shs.	06/19/15	143,414	151,807
Common Stock (B)	695 shs.	06/19/15	5,976	-
			1,739,079	1,800,796
<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	379,515

**GTI Holding Company**

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	1,384,474	1,404,695
Common Stock (B)	1,693 shs.	02/05/14	169,271	134,035
Warrant, exercisable until 2024, to purchase common stock at \$.01 per share (B)	795 shs.	02/05/14	73,633	62,940
			1,627,378	1,601,670

**Handi Quilter Holding Company**

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	2,868,207	2,943,824
Limited Liability Company Unit Preferred (B)	729 uts.	*	729,169	446,691
Limited Liability Company Unit Common Class A (B)	7,292 uts.	12/19/14	-	-
* 12/19/14 and 4/29/16.			3,597,376	3,390,515

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Hartland Controls Holding Corporation</b>				
A manufacturer and distributor of electronic and electromechanical components.				
14% Senior Subordinated Note due 08/14/2019	\$ 2,222,546	02/14/14	\$ 2,193,286	\$ 2,244,771
12% Senior Subordinated Note due 08/14/2019	\$ 875,000	06/22/15	868,060	892,500
Preferred Stock Series A (B)	2,313 shs.	02/14/14	231,326	249,745
Common Stock (B)	1,666 shs.	02/14/14	1,667	495,869
			3,294,339	3,882,885
<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	293,623
<b>HHI Group, LLC</b>				
A developer, marketer, and distributor of hobby-grade radio control products.				
16% Senior Subordinated Note due 01/17/2020	\$ 3,328,485	01/17/14	3,286,276	2,868,774
Limited Liability Company Unit (B)	203 uts.	01/17/14	203,125	-
			3,489,401	2,868,774
<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 4/15/2021	\$ 1,687,500	04/15/13	1,633,806	1,704,375
Limited Liability Company Unit (B)	563 uts.	04/15/13	562,500	1,013,839
Warrant, exercisable until 2020, to purchase				

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common stock at \$.01 per share (B)	89,224 shs.	04/15/13	77,625	201,506
			2,273,931	2,919,720

**Hollandia Produce LLC**

A hydroponic greenhouse producer of branded root vegetables.

13.75% Senior Subordinated Note due 03/31/2021	\$2,661,420	12/30/15	2,612,785	2,734,186
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**HOP Entertainment LLC**

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	-	-
			-	-

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Hospitality Mints Holding Company</b>				
A manufacturer of individually-wrapped imprinted promotional mints.				
12% Senior Subordinated Note due 10/1/2018	\$ 2,075,581	08/19/08	\$ 2,066,380	\$ 1,923,834
Common Stock (B)	474 shs.	08/19/08	474,419	56,608
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	123 shs.	08/19/08	113,773	14,631
			2,654,572	1,995,073
<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	\$ 2,892,906	09/27/12	2,861,510	2,892,906
Limited Liability Company Unit Class A Preferred (B)	2,705 uts.	09/27/12	270,542	386,901
Limited Liability Company Unit Class A Common (B)	2,185 uts.	09/27/12	2,185	120,429
			3,134,237	3,400,236
<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	477,265
<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	\$ 2,194,015	11/10/14	2,159,496	2,239,321
Common Stock (B)	4,667 shs.	11/10/14	466,667	612,902



2,626,163 2,852,223

**Insurance Claims Management, Inc.**

A third party administrator providing auto and property claim administration services for insurance companies.

Common Stock (B)	89 shs.	02/27/07	2,689	217,063
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**J A C Holding Enterprises, Inc.**

A supplier of luggage racks and accessories to the original equipment manufacturers.

Preferred Stock A (B)	495 shs.	12/20/10	495,000	951,236
Preferred Stock B (B)	0.17 shs.	12/20/10	-	321
Common Stock	100 shs.	12/20/10	5,000	318,914
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	36 shs.	12/20/10	316,931	401,927
			816,931	1,672,398

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<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	\$2,187,132	\$2,237,095
Limited Liability Company Unit Class A (B)	565 uts.	12/11/13	1,223,588	2,352,814
			3,410,720	4,589,909
<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	\$2,685,079	12/05/12	2,654,614	2,318,532
Limited Liability Company Unit (B)	2,493,253 uts.	12/05/12	557,301	74,282
			3,211,915	2,392,814
<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	704,998
* 12/23/11 and 06/30/14.			19,565	704,998
<b>K N B Holdings Corporation</b>				
A designer, manufacturer and marketer of products for the custom framing market.				
Common Stock (B)	134,210 shs.	05/24/06	134,210	149,708
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	82,357 shs.	05/25/06	71,534	91,867

205,744 241,575

**K P I Holdings, Inc.**

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	-	140,282
Common Stock (B)	667 shs.	07/15/08	539,502	643,505
			539,502	783,787

**Kyjen Company**

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	\$2,643,711	10/14/15	2,595,515	2,715,935
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**Mail Communications Group, Inc.**

A provider of mail processing and handling services, lettershop services, and commercial printing services.

Limited Liability Company Unit	24,109 uts.	*	314,464	280,218
Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)	3,375 shs.	05/04/07	43,031	39,228
* 05/04/07 and 01/02/08.			357,495	319,446

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Manhattan Beachwear Holding Company</b>				
A designer and distributor of women's swimwear.				
12.5% Senior Subordinated Note due 01/15/2018 (D)	\$ 1,259,914	01/15/10	\$ 1,212,363	\$ -
15% Senior Subordinated Note due 01/15/2018 (D)	\$ 345,759	10/05/10	343,820	-
Common Stock (B)	106 shs.	10/05/10	106,200	-
Common Stock Class B (B)	353 shs.	01/15/10	352,941	-
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	312 shs.	10/05/10	283,738	-
			2,299,062	-
<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	\$ 1,753,967	04/17/15	1,736,651	1,701,449
Limited Liability Company Unit	9 uts.	04/17/15	1,356,658	489,547
			3,093,309	2,190,996
<b>MC Sign Holdings LLC</b>				
A provider of sign and lighting services nationwide.				
11.75% Senior Subordinated Note due 09/15/2021	\$ 1,553,092	09/22/15	1,525,081	1,584,154
Limited Liability Company Unit Class B (B)	205,900 uts.	09/22/15	205,900	197,973
			1,730,981	1,782,127
<b>Merex Holding Corporation</b>				
A provider of after-market spare parts and components, as well as Maintenance, Repair and Overhaul services for "out				

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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	1,226,597
15% Senior Subordinated Note due 04/30/2022	\$ 71,517	08/18/15	71,517	-
Limited Liability Company Unit Series A (B)	684 uts.	05/07/14	44,281	-
Limited Liability Company Unit Series B (B)	467,833 uts.	09/22/11	467,833	-
Common Stock Class A	5,578 shs.	08/18/15	-	-
			1,930,819	1,226,597

**MES Partners, Inc.**

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	\$ 2,234,165	09/30/14	2,198,015	2,301,190
Common Stock Class B (B)	445,455 shs.	09/30/14	445,455	284,131
			2,643,470	2,585,321

**MNX Holding Company**

An international third party logistics company providing customized logistics services to customers across the globe.

14% Senior Subordinated Note due 11/02/2019	\$ 3,112,240	11/02/12	3,077,630	3,112,240
Common Stock (B)	107 shs.	11/02/12	107,143	100,753
			3,184,773	3,212,993

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Money Mailer Equity LLC</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.				
12% Senior Subordinated Note due 10/29/2021	<b>\$3,503,068</b>	04/29/16	<b>\$3,434,429</b>	<b>\$3,503,068</b>
<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	<b>\$3,001,529</b>	11/30/10	<b>2,977,919</b>	<b>3,001,529</b>
Limited Liability Company Unit Class B-1 (B)	225,000 uts.	11/30/10	-	<b>184,570</b>
Limited Liability Company Unit Class B-2 (B)	20,403 uts.	11/30/10	-	<b>16,737</b>
			<b>2,977,919</b>	<b>3,202,836</b>
<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	<b>\$1,530,000</b>	02/02/07	<b>1,528,882</b>	-
Limited Partnership Interest of Saw Mill PCG				
Partners LLC (B)	2.73% int.	02/01/07	<b>1,110,810</b>	-
Limited Liability Company Unit Class D of Saw Mill PCG				
Partners LLC (B)	17 uts.	*	<b>16,759</b>	-
Limited Liability Company Unit Class D-1 of Saw Mill PCG	229 uts.	09/30/09	<b>228,858</b>	-

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Partners LLC (B) Limited Liability Company Unit Class D-2 of Saw Mill PCG	128 uts.			
Partners LLC (B) Limited Liability Company Unit Class D-3 of Saw Mill PCG		04/29/11	65,256	-
Partners LLC (B) * 12/18/08 and 09/30/09.	196 uts.	12/10/14	196,263	187,107
			3,146,828	187,107

**Northwest Mailing Services, Inc.**

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

Limited Partnership Interest (B) Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B) * 07/09/09 and 08/09/10.	3,287 uts.	*	328,679	474,843
	4,920 shs.	*	492,016	710,816
			820,695	1,185,659

**NSi Industries Holdings, Inc.**

A manufacturer and distributor of electrical components and accessories to small to mid-sized electrical wholesalers.

12.75% Senior Subordinated Note due 5/17/2023	\$3,086,438	06/30/16	3,026,006	3,140,244
Common Stock (B)	420 shs.	05/17/16	420,000	420,000
			3,446,006	3,560,244

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<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	\$ 202,923
Preferred Stock Series B (B)	934 shs.	06/04/10	93,376	162,751
Common Stock (B)	1,032 shs.	06/04/10	1,032	139,448
			260,470	505,122
<b>PANOS Brands LLC</b>				
A marketer and distributor of branded consumer foods in the specialty, natural, better-for-you, "free from" healthy and gluten-free categories.				
12% Senior Subordinated Note due 07/29/2021	\$2,940,000	01/29/16	2,884,447	3,028,200
Common Stock Class A (B)	560,000 shs.	01/29/16	560,000	649,530
			3,444,447	3,677,730
<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	111,844
Common Stock (B)	40,540 shs.	05/22/09	1,877,208	-
			2,536,588	2,446,194
<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	-

**Polytex Holdings LLC**



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A manufacturer of water based inks and related products serving primarily the wall covering market.

13% Senior Subordinated Note due 01/31/2020	\$2,144,048	07/31/14	2,113,341	2,103,229
Limited Liability Company Unit	300,485 uts.	07/31/14	300,485	231,193
			2,413,826	2,334,422

**Power Stop Holdings LLC**

A supplier of performance upgrade aftermarket brake products.

11% Senior Subordinated Note due 05/29/2022	\$3,266,800	05/29/15	3,209,994	3,332,136
Limited Liability Company Unit Preferred (B)	2,332 uts.	05/29/15	233,200	253,462
Limited Liability Company Unit Common (B)	2,332 uts.	05/29/15	-	100,129
			3,443,194	3,685,727

**PPC Event Services**

A special event equipment rental business.

14% Senior Subordinated Note due 05/20/2020	\$2,344,109	11/20/14	2,308,779	2,390,991
Limited Liability Company Unit (B)	7,000 uts.	11/20/14	350,000	787,500
Limited Liability Company Unit Series A-1 (B)	689 uts.	03/16/16	86,067	80,024
			2,744,846	3,258,515

**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<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	\$2,266,208	\$2,350,813
Common Stock (B)	240 shs.	05/12/15	240,388	303,177
			2,506,596	2,653,990
<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	675,581
* 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	362,500
Common Stock (B)	2,949 shs.	03/30/12	29,492	441,791
			281,250	804,291
<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	71,471
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	74 shs.	03/15/13	67,958	29,197
			249,179	100,668

**Smart Source Holdings LLC**

A short-term computer rental company.

Limited Liability Company Unit (B)	619 uts.	*	493,496	631,400
Warrant, exercisable until 2016, to purchase				
common stock at \$.01 per share (B)	157 shs.	*	127,437	159,955
* 08/31/07 and 03/06/08.			620,933	791,355

**SMB Machinery Holdings, Inc.**

A reseller of used, rebuilt and refurbished packaging and processing equipment, primarily serving the bottling and food manufacturing industries.

14% Senior Subordinated Note due 10/18/2019 (D)	\$ 1,477,388	10/18/13	1,452,295	-
Common Stock (B)	1,681 shs.	10/18/13	168,100	-
			1,620,395	-

**Software Paradigms International Group, LLC**

An outsourced IT services provider focused on the retail industry.

12.5% Senior Subordinated Note due 11/23/2021	\$ 3,505,396	05/23/16	3,436,348	3,550,696
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**CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Strahman Holdings Inc</b>				
A manufacturer of industrial valves and wash down equipment for a variety of industries, including chemical, petrochemical, polymer, pharmaceutical, food processing, beverage and mining.				
14% Senior Subordinated Note due 06/13/2019 (D)	\$2,119,565	12/13/13	\$2,088,021	\$2,140,761
Preferred Stock Series A (B)	317,935 shs.	12/13/13	317,935	502,337
Preferred Stock Series A-2 (B)	53,086 shs.	09/10/15	59,987	83,876
			2,465,943	2,726,974
<b>Sunrise Windows Holding Company</b>				
A manufacturer and marketer of premium vinyl windows exclusively selling to the residential remodeling and replacement market.				
16% Senior Subordinated Note due 12/14/2017	\$3,955,338	*	3,896,604	3,559,804
Common Stock (B)	115 shs.	12/14/10	114,504	51,200
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	112 shs.	12/14/10	111,747	49,970
* 12/14/10, 08/17/12 and 03/31/16.			4,122,855	3,660,974
<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	2,481,345
Common Stock (B)	139 shs.	07/31/15	158,560	127,571
			2,575,671	2,608,916

**Team Drive-Away Holdings LLC**

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An asset-light provider of over the road driveway services for class 8 trucks and specialized equipment.

12.5% Senior Subordinated Note due 04/15/2021	\$ 1,555,600	10/15/15	1,527,402	1,597,876
Limited Liability Company Unit (B)	194,400 uts.	10/15/15	194,400	205,286
			1,721,802	1,803,162

**Torrent Group Holdings, Inc.**

A contractor specializing in the sales and installation of engineered drywells for the retention and filtration of stormwater and nuisance water flow.

3% Senior Subordinated Note due 12/31/2018 (D)	\$ 1,199,001	12/05/13	-	1,199,001
15% Senior Subordinated Note due 12/05/2020 (D)	\$ 122,180	12/05/13	414,051	116,071
Warrant, exercisable until 2023, to purchase  common stock at \$.01 per share (B)	53,038 shs.	12/05/13	-	-
			414,051	1,315,072

**CONSOLIDATED SCHEDULE OF INVESTMENTS** (CONTINUED)**June 30, 2016****(Unaudited)**

<b>Corporate Restricted Securities: (A)</b> (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<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	\$3,135,908	07/05/13	\$3,100,059	\$3,135,908
Limited Liability Company Unit Preferred Class A (B)	295,455 uts.	07/05/13	295,455	416,400
			3,395,514	3,552,308
<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	\$2,302,621	01/23/15	2,265,797	2,229,884
<b>Veritext Corporation</b>				
A provider of stenographic staffing and other services used during the legal deposition process.				
10.75% Second Lien Term Loan due 01/29/2023	\$3,500,000	01/21/16	3,434,216	3,473,094
<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	160,640
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.			1,744,787	160,640

**VP Holding Company**

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	1,171,283
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**Wellborn Forest Holding Company**

A manufacturer of semi-custom kitchen and bath cabinetry.

8% Senior Subordinated Note due 09/30/2017 (D)	\$3,175,092	11/30/06	1,638,669	2,381,319
Common Sto				