

BABSON CAPITAL CORPORATE INVESTORS
Form N-CSRS
September 06, 2013

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-2183

Babson Capital Corporate Investors

(Exact name of registrant as specified in charter)

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

(Address of principal executive offices) (Zip code)

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

(Name and address of agent for service)

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

Date of fiscal year end: 12/31

Date of reporting period: 06/30/13

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.

Adviser

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

Transfer Agent & Registrar

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

Independent Registered Public Accounting Firm

KPMG LLP
Boston, Massachusetts 02110

Internet Website

www.babsoncapital.com/mci

Counsel to the Trust

Ropes & Gray LLP
Boston, Massachusetts 02110

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

Custodian

State Street Bank and Trust Company
Boston, Massachusetts 02116

Investment Objective and Policy

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

The Trust’s investment objective is to maintain a portfolio of securities providing a 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 with 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 temporarily 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.

Form N-Q

The Trust files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. This information is available (i) on the SEC’s website at <http://www.sec.gov>; and (ii) at the SEC’s Public Reference Room in Washington, DC (which information on their operation may be obtained by calling 1-800-SEC-0330). A complete schedule of portfolio holdings as of each quarter-end is available upon request by calling, toll-free, 866-399-1516.

Proxy Voting Policies & Procedures; Proxy Voting Record

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

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.

TO OUR SHAREHOLDERS

July 31, 2013

We are pleased to present the June 30, 2013 Quarterly Report of Babson Capital Corporate Investors (the “Trust”).

The Board of Trustees declared a quarterly dividend of 30 cents per share, payable on August 16, 2013 to shareholders of record on August 5, 2013. The Trust paid a 30 cent per share dividend for the preceding quarter. The Trust earned 31 cents per share of net investment income for the second quarter of 2013, compared to 31 cents per share in the previous quarter.

During the second quarter, the net assets of the Trust decreased to \$267,509,124 or \$13.85 per share compared to \$268,758,554 or \$13.94 per share on March 31, 2013. This translates into a 1.5% 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 17.4%, 15.6%, 11.0%, 13.5%, and 13.4% for the 1-, 3-, 5-, 10-, and 25-year time periods, respectively, based on the change in the Trust’s net assets assuming the reinvestment of all dividends.

The Trust’s share price decreased 3.0% during the quarter, from \$16.34 per share as of March 31, 2013 to \$15.85 per share as of June 30, 2013. The Trust’s market price of \$15.85 per share equates to a 14.4% premium over the June 30, 2013 net asset value per share of \$13.85. The Trust’s average quarter-end premium for the 3, 5 and 10-year periods was 21.6%, 13.6% and 12.6%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, increased 3.1% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, decreased 1.4% for the quarter.

The Trust closed three new private placement investments and three “follow-on” investments in existing portfolio companies during the second quarter. The three new investments were in ARI Holding Corporation, CG Holdings Manufacturing Company and Hi-Rel Group LLC, while the three follow-on investments were in F G I Equity LLC, K & N Parent, Inc. and Safety Infrastructure Solutions. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in these six transactions was \$12,417,763.

U.S. middle market buyout activity continued at a sluggish pace during the second quarter of 2013. In fact, the level of private equity backed deals completed in the first half of 2013 was at its lowest level since 2009. While there is a shortage of quality deal flow, there is plenty of equity capital and senior and mezzanine debt looking to be invested. The result is that attractive companies are being aggressively pursued by buyers and lenders alike, pushing both purchase price multiples and leverage levels up. As we head into the third quarter of 2013, most market participants expect deal flow to improve over the remainder of the year. We currently have a number of deals under review and hope that our new investment activity in the second half of the year will exceed that of the first half of the year. We continue to be cautious, though, in light of the more aggressive leverage multiples and mezzanine pricing we are seeing in the market. We intend to maintain the same discipline and investment philosophy, based on taking prudent levels of risk and getting paid appropriately for the risks taken, that has served us well for so many years.

The quality of the Trust’s existing portfolio remained solid through the second quarter. We are pleased that sales and earnings for the Trust’s portfolio as a whole continued their upward momentum. We had no exits from the portfolio in the second quarter, but we have a healthy backlog of companies in the process of being sold and expect the second half of the year to be active for realizations. On the negative side of the ledger, however, we saw refinancing activity in the portfolio continue at a high level in the second quarter. 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 plentiful credit. We had six portfolio companies fully or partially prepay the Trust’s debt holdings in the

second quarter, on top of eight in the first quarter. As mentioned in prior reports, the loss of these income-producing investments, unless replaced by new investments, could adversely affect the Trust's ability to sustain its dividend level in the quarters ahead.

(Continued)

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

Sincerely,

Michael L. Klofas
President

* 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, 2013

(Unaudited)

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value

(Cost - \$239,754,703) \$ 229,200,275

Corporate restricted securities at market value

(Cost - \$25,379,731) 25,429,009

Corporate public securities at market value

(Cost - \$28,119,151) 29,247,792

Short-term securities at amortized cost 3,500,000

Total investments (Cost - \$296,753,585) 287,377,076

Cash 9,408,260

Interest receivable 3,125,104

Other assets 23,568

Total assets 299,934,008

Liabilities:

Note payable 30,000,000

Deferred tax liability 1,018,282

Investment advisory fee payable 835,966

Tax Payable 252,820

Interest payable 202,400

Accrued expenses 115,416

Total liabilities 32,424,884

Total net assets \$ 267,509,124

Net Assets:

Common shares, par value \$1.00 per share \$ 19,319,200

Additional paid-in capital 111,801,788

Retained net realized gain on investments, prior years 128,487,422

Undistributed net investment income 9,428,094

Accumulated net realized gain on investments 8,867,411

Net unrealized depreciation of investments)

		(10,394,791
Total net assets	\$	267,509,124
Common shares issued and outstanding (28,054,782 authorized)		19,319,200
Net asset value per share	\$	13.85

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended June 30, 2013

(Unaudited)

Investment Income:	
Interest	\$ 14,208,607
Dividends	297,071
Other	262,235
Total investment income	14,767,913
Expenses:	
Investment advisory fees	1,675,836
Interest	792,000
Trustees' fees and expenses	240,000
Professional fees	125,571
Reports to shareholders	45,000
Custodian fees	16,800
Other	17,550
Total expenses	2,912,757
Investment income - net	11,855,156
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	3,047,122
Income tax expense	(3,162)
Net realized gain on investments after taxes	3,043,960
Net change in unrealized depreciation of investments before taxes	(138,104)
Net change in deferred income tax expense	(116,242)
Net change in unrealized depreciation of investments after taxes	(254,346)
Net gain on investments	2,789,614
Net increase in net assets resulting from operations	\$ 14,644,770

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2013

(Unaudited)

Net increase in cash:	
Cash flows from operating activities:	
Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$ 4,508,688
Purchases of portfolio securities	(41,946,894)
Proceeds from disposition of portfolio securities	46,250,835
Interest, dividends and other income received	12,895,857
Interest expense paid	(792,000)
Operating expenses paid	(2,156,159)
Income taxes paid	(1,987,142)
Net cash provided by operating activities	16,773,185
Cash flows from financing activities:	
Cash dividends paid from net investment income	(13,481,609)
Receipts for shares issued on reinvestment of dividends	1,271,702
Net cash used for financing activities	(12,209,907)
Net increase in cash	4,563,278
Cash - beginning of year	4,844,982
Cash - end of period	\$ 9,408,260
Reconciliation of net increase in net assets to net cash provided by operating activities:	
Net increase in net assets resulting from operations	\$ 14,644,770
Decrease in investments	4,914,985
Increase in interest receivable	(982,876)
Decrease in receivable for investments sold	122,631
Increase in other assets	(23,185)
Increase in deferred tax liability	116,242
Increase in investment advisory fee payable	31,659
Decrease in tax payable	(1,983,980)
Increase in accrued expenses	(67,061)
Total adjustments to net assets from operations	2,128,415

Net cash provided by operating activities	\$	16,773,185
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See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the six months ended 06/30/2013 (Unaudited)	For the year ended 12/31/2012
Increase in net assets:		
Operations:		
Investment income - net	\$ 11,855,156	\$ 24,510,117
Net realized gain on investments after taxes	3,043,960	5,288,921
Net change in unrealized depreciation of investments after taxes	(254,346)	7,904,425
Net increase in net assets resulting from operations	14,644,770	37,703,463
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2013 - 79,527; 2012 - 169,463)	1,271,702	2,676,531
Dividends to shareholders from:		
Net investment income (2013 - \$0.30 per share; 2012 - \$1.25 per share)	(5,785,740)	(24,075,541)
Net realized gains (2013 - \$0.00; 2012 - \$0.05 per share)	—	(869,595)
Total increase in net assets	10,130,732	15,434,858
Net assets, beginning of year	257,378,392	241,943,534
Net assets, end of period/year (including undistributed net investment income of \$9,428,094 and \$3,358,678, respectively)	\$ 267,509,124	\$ 257,378,392

See Notes to Consolidated Financial Statements

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	For the six months ended 06/30/2013 (Unaudited)	For the years ended December 31,				
		2012	2011(a)	2010(a)	2009(a)	2008(a)
Net asset value:						
Beginning of year	\$ 13.38	\$ 12.69	\$ 12.56	\$ 11.45	\$ 11.17	\$ 13.60
Net investment income (b)	0.61	1.28	1.29	1.13	1.03	1.16
Net realized and unrealized gain (loss) on investments	0.14	0.69	0.17	1.06	0.33	(2.51)
Total from investment operations	0.75	1.97	1.46	2.19	1.36	(1.35)
Dividends from net investment income to common shareholders	(0.30)	(1.25)	(1.34)	(1.08)	(1.08)	(1.08)
Dividends from realized gain on investments to common shareholders	—	(0.05)	(0.01)	—	—	—
Increase from dividends reinvested	0.02	0.02	0.02	0.00 (c)	0.00 (c)	0.00 (c)
Total dividends	(0.28)	(1.28)	(1.33)	(1.08)	(1.08)	(1.08)
Net asset value:						
End of period/year	\$ 13.85	\$ 13.38	\$ 12.69	\$ 12.56	\$ 11.45	\$ 11.17
Per share market value:						
End of period/year	\$ 15.85	\$ 15.28	\$ 17.99	\$ 15.28	\$ 12.55	\$ 9.63
Total investment return						

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Net asset value																	
(d)	5.75	%	17.07	%	12.00	%	19.81	%	12.64	%	(10.34	%)					
Market value (d)	5.66	%	(7.11	%)	27.92	%	31.73	%	39.89	%	(30.44	%)					
Net assets (in millions):																	
End of period/year	\$ 267.51		\$ 257.38		\$ 241.94		\$ 237.58		\$ 214.44		\$ 208.14						
Ratio of operating expenses to average net assets	1.62	%	(f)	1.66	%	1.62	%	1.60	%	1.58	%	1.49	%				
Ratio of interest expense to average net assets	0.60	%	(f)	0.63	%	0.64	%	0.70	%	0.75	%	0.67	%				
Ratio of income tax expense to average net assets (e)	0.00	%	(f)	0.88	%	0.16	%	0.27	%	0.00	%	0.00	%				
Ratio of total expenses to average net assets	2.22	%	(f)	3.17	%	2.42	%	2.57	%	2.33	%	2.16	%				
Ratio of net investment income to average net assets	9.04	%	(f)	9.78	%	9.91	%	9.46	%	9.06	%	9.01	%				
Portfolio turnover	15	%		34	%		21	%		39	%		23	%		32	%

(a) Per share amounts were adjusted to reflect a 2:1 stock split effective February 18, 2011.

(b) Calculated using average shares.

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

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

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

(f) Annualized

Senior borrowings:

Total principal amount (in millions)	\$ 30		\$ 30		\$ 30		\$ 30		\$ 30		\$ 30
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Asset coverage per
\$1,000

of indebtedness	\$ 9,917	\$ 9,579	\$ 9,065	\$ 8,919	\$ 8,148	\$ 7,938
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See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2013

(Unaudited)

Corporate Restricted Securities - 95.19%: (A)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Private Placement Investments - 85.68%				
1492 Acquisition LLC				
A leading producer of premium Italian cured meats and deli meats in the U.S.				
14% Senior Subordinated Note due 2019				
	\$ 2,765,785	10/17/12	\$ 2,714,632	\$ 2,667,346
Limited Liability Company Unit Class A Common (B)				
	27,273 uts.	10/17/12	27,273	42,158
Limited Liability Company Unit Class A Preferred (B)				
	245 uts.	10/17/12	245,450	254,532
			2,987,355	2,964,036
A E Company, Inc.				
A designer and manufacturer of machined parts and assembly structures for the commercial and military aerospace industries.				
Common Stock (B)				
	323,077 shs.	11/10/09	323,077	782,421
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)				
	161,538 shs.	11/10/09	119,991	391,209
			443,068	1,173,630
A H C Holding Company, Inc.				
A designer and manufacturer of boilers and water heaters for the commercial sector.				
Limited Partnership Interest (B)				
	23.16% int.	11/21/07	224,795	321,289
A S C Group, Inc.				
A designer and manufacturer of high reliability encryption equipment, communications products, computing systems and electronic components primarily for the military and aerospace sectors.				
Limited Liability Company Unit Class A (B)				
		4,128 uts.	*	147,972
Limited Liability Company Unit Class B (B)				
		2,793 uts.	10/09/09	100,114
				151,119
				248,086
				374,469
* 10/09/09 and 10/27/10.				
A W X Holdings Corporation				
A provider of aerial equipment rental, sales and repair services to non-residential construction and maintenance contractors operating in the State of Indiana.				
10.5% Senior Secured Term Note due 2014 (D)				
	\$	735,000	05/15/08	724,402
				367,500

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13% Senior Subordinated Note due 2015 (D)	\$	735,000	05/15/08	673,096	—
Common Stock (B)		105,000 shs.	05/15/08	105,000	—
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)		36,923 shs.	05/15/08	62,395	—
				1,564,893	367,500
ABC Industries, Inc.					
A manufacturer of mine and tunneling ventilation products in the U.S.					
13% Senior Subordinated Note due 2019	\$	1,200,000	08/01/12	1,084,082	1,167,119
Preferred Stock Series A (B)		300,000 shs.	08/01/12	300,000	278,149
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)		53,794 shs.	08/01/12	101,870	—
				1,485,952	1,445,268

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
ACP Cascade Holdings LLC				
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	\$—	\$—
Advanced Manufacturing Enterprises LLC				
A designer and manufacturer of large, custom gearing products for a number of critical customer applications.				
14% Senior Subordinated Note due 2018	\$2,723,077	12/07/12	2,684,764	2,593,951
Limited Liability Company Unit (B)	2,769 uts.	12/07/12	276,923	189,584
			2,961,687	2,783,535
Advanced Technologies Holdings				
A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	796 shs.	12/27/07	393,754	1,509,813
Convertible Preferred Stock Series B (B)	52 shs.	01/04/11	40,800	99,599
			434,554	1,609,412
All Current Holding Company				
A specialty re-seller of essential electrical parts and components primarily serving wholesale distributors.				
12% Senior Subordinated Note due 2015	\$1,140,317	09/26/08	1,095,210	1,140,317
Common Stock (B)	1,347 shs.	09/26/08	134,683	241,919
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	958 shs.	09/26/08	87,993	172,055
			1,317,886	1,554,291
American Hospice Management Holding LLC				
A for-profit hospice care provider in the United States.				
12% Senior Subordinated Note due 2013	\$2,337,496	*	2,322,221	2,337,496
Preferred Class A Unit (B)	3,223 uts.	**	322,300	456,692
Preferred Class B Unit (B)	1,526 uts.	06/09/08	152,626	334,650
Common Class B Unit (B)	30,420 uts.	01/22/04	1	—
Common Class D Unit (B)	6,980 uts.	09/12/06	1	—
			2,797,149	3,128,838
* 01/22/04 and 06/09/08.				
** 01/22/04 and 09/12/06.				
AMS Holding LLC				
A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.				
14.25% Senior Subordinated Note due 2019	\$2,772,866	10/04/12	2,721,858	2,743,517

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Limited Liability Company Unit Class A Preferred (B)	273 uts.	10/04/12	272,727	272,730
			2,994,585	3,016,247

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Apex Analytix Holding Corporation				
A provider of audit recovery and fraud detection services and software to commercial and retail businesses in the U.S. and Europe.				
12.5% Senior Subordinated				
Note due 2017	\$ 1,912,500	04/28/09	\$ 1,753,557	\$ 1,912,500
Preferred Stock Series B (B)	3,065 shs.	04/28/09	306,507	408,754
Common Stock (B)	1,366 shs.	04/28/09	1,366	151,867
			2,061,430	2,473,121
Arch Global Precision LLC				
A leading manufacturer of high tolerance precision components and consumable tools.				
14.75% Senior Subordinated				
Note due 2018	\$ 2,346,023	12/21/11	2,295,501	2,344,275
Limited Liability Company				
Unit Class B (B)	85 uts.	12/21/11	85,250	111,082
Limited Liability Company				
Unit Class C (B)	665 uts.	12/21/11	664,750	866,179
			3,045,501	3,321,536
ARI Holding Corporation				
A leading national supplier of products used primarily by specialty contractors.				
13.5% Senior Subordinated				
Note due 2020	\$ 2,610,671	05/21/13	2,559,050	2,534,477
Preferred Stock (B)	58 shs.	05/21/13	579,208	550,271
Common Stock (B)	58 shs.	05/21/13	64,356	61,141
			3,202,614	3,145,889
Arrow Tru-Line Holdings, Inc.				
A manufacturer of hardware for residential and commercial overhead garage doors in North America.				
12% Senior Subordinated				
Note due 2016 (D)	\$ 1,473,588	05/18/05	1,357,040	1,473,588
Preferred Stock (B)	63 shs.	10/16/09	62,756	130,638
Common Stock (B)	497 shs.	05/18/05	497,340	—
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)				
	130 shs.	05/18/05	112,128	—
			2,029,264	1,604,226
Baby Jogger Holdings LLC				

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A designer and marketer of premium baby strollers and stroller accessories.

14% Senior Subordinated

Note due 2019	\$ 2,826,634	04/20/12	2,777,472	2,883,167
Common Stock (B)	2,261 shs.	04/20/12	226,132	358,799
			3,003,604	3,241,966

Blue Wave Products, Inc.

A distributor of pool supplies.

10% Senior Secured Term

Note due 2018	\$ 714,893	10/12/12	701,900	696,699
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13% Senior Subordinated

Note due 2019	\$ 720,069	10/12/12	670,536	694,955
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Common Stock (B)	114,894 shs.	10/12/12	114,894	76,257
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Warrant, exercisable until

2022, to purchase

common stock at \$.01 per

share (B)	45,486 shs.	10/12/12	45,486	30,190
			1,532,816	1,498,101

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
BP SCI LLC				
A leading value-added distributor of branded pipes, valves, and fittings (PVF) to diversified end markets.				
14% Senior Subordinated Note due 2018	\$ 2,535,724	10/17/12	\$ 2,489,656	\$ 2,454,866
Limited Liability Company Unit Class A (B)	1,000 uts.	10/17/12	100,000	82,014
Limited Liability Company Unit Class B (B)	400 uts.	10/17/12	400,000	422,300
			2,989,656	2,959,180
Bravo Sports Holding Corporation				
A designer and marketer of niche branded consumer products including canopies, trampolines, in-line skates, skateboards, and urethane wheels.				
12.5% Senior Subordinated Note due 2014	\$ 2,281,593	06/30/06	2,255,354	2,167,513
Preferred Stock Class A (B)	879 shs.	06/30/06	268,121	105,749
Common Stock (B)	1 sh.	06/30/06	286	—
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	309 shs.	06/30/06	92,102	37,165
			2,615,863	2,310,427
C D N T, Inc.				
A value-added converter and distributor of specialty pressure sensitive adhesives, foams, films, and foils.				
10.5% Senior Secured Term Note due 2014	\$ 187,718	08/07/08	186,857	187,718
12.5% Senior Subordinated Note due 2015	\$ 750,872	08/07/08	721,214	750,872
Common Stock (B)	73,256 shs.	08/07/08	73,256	106,609
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	57,600 shs.	08/07/08	57,689	83,825
			1,039,016	1,129,024
Capital Specialty Plastics, Inc.				
A producer of desiccant strips used for packaging pharmaceutical products.				

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Common Stock (B)	109 shs.	*	503	1,247,181
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* 12/30/97 and 05/29/99

CG Holdings Manufacturing Company

A coating provider in the fragmented North American market, serving the automotive, agricultural, heavy truck and other end markets.

13% Senior Subordinated Note due 2019	\$ 2,727,273	05/09/13	2,568,019	2,642,678
Preferred Stock (B)	2,455 shs.	05/09/13	245,454	233,182
Preferred Stock-OID (B)	965 shs.	05/09/13	96,496	91,671
Common Stock (B)	253 shs.	05/09/13	27,273	25,943
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	114 shs.	05/09/13	10,736	1
			2,947,978	2,993,475

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
CHG Alternative Education Holding Company				
A leading provider of publicly-funded, for profit pre-K-12 education services targeting special needs children at therapeutic day schools and "at risk" youth through alternative education programs.				
13.5% Senior Subordinated Note due 2018	\$2,218,377	01/19/11	\$2,120,823	\$2,239,391
14% Senior Subordinated Note due 2019	\$572,915	08/03/12	562,590	565,085
Common Stock (B)	1,125 shs.	01/19/11	112,500	134,262
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	884 shs.	01/19/11	87,750	105,538
			2,883,663	3,044,276
Church Services Holding Company				
A provider of diversified residential services to homeowners in the Houston, Dallas, and Austin markets.				
14.5% Senior Subordinated Note due 2018	\$1,230,574	03/26/12	1,195,452	1,225,999
Common Stock (B)	3,981 shs.	*	398,100	318,293
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	172 shs.	03/26/12	17,220	13,752
* 03/26/12, 05/25/12 and 06/19/12.			1,610,772	1,558,044
Clough, Harbour and Associates				
An engineering service firm that is located in Albany, NY.				
Preferred Stock (B)	277 shs.	12/02/08	276,900	392,015
Connecticut Electric, Inc.				
A supplier and distributor of electrical products sold into the retail and wholesale markets.				
10% Senior Subordinated Note due 2014 (D)	\$1,456,429	01/12/07	1,358,675	1,411,537
Limited Liability Company Unit Class A (B)	156,046 uts.	01/12/07	156,046	60,953
Limited Liability Company Unit Class C (B)	112,873 uts.	01/12/07	112,873	47,248
	1,268,437			
Limited Liability Company Unit Class D (B)	uts.	05/03/10	—	1,351,824
Limited Liability Company Unit Class E (B)	2,081 uts.	05/03/10	—	—
			1,627,594	2,871,562
Connor Sport Court International, Inc.				
A designer and manufacturer of outdoor and indoor synthetic sports flooring and other temporary flooring products.				
Preferred Stock Series B-2 (B)	17,152 shs.	07/05/07	700,392	1,551,381
Preferred Stock Series C (B)	7,080 shs.	07/05/07	236,503	640,340
Common Stock (B)	718 shs.	07/05/07	7	—
Limited Partnership Interest (B)	12.64% int.	*	189,586	—

* 08/12/04 and 01/14/05.

1,126,488

2,191,721

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
CorePharma LLC				
A manufacturer of oral dose generic pharmaceuticals targeted at niche applications.				
Warrant, exercisable until 2013, to purchase common stock at \$.001 per share (B)	20 shs.	08/04/05	\$ 137,166	\$ 682,863
Crane Rental Corporation				
A crane rental company since 1960, headquartered in Florida.				
13% Senior Subordinated Note due 2015	\$ 1,950,750	08/21/08	1,864,174	1,950,750
Common Stock (B)	255,000 shs.	08/21/08	255,000	153,840
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	136,070 shs.	08/21/08	194,826	82,090
			2,314,000	2,186,680
Custom Engineered Wheels, Inc.				
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.	10/27/09	295,550	346,659
Preferred Stock Series A (B)	216 shs.	10/27/09	197,152	253,282
Common Stock (B)	72 shs.	10/27/09	72,238	—
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	53 shs.	10/27/09	48,608	—
			613,548	599,941
DPL Holding Corporation				
A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.				
14% Senior Subordinated Note due 2019	\$ 3,142,253	05/04/12	3,087,143	2,986,189
Preferred Stock (B)	61 shs.	05/04/12	605,841	616,766
Common Stock (B)	61 shs.	05/04/12	67,316	—
			3,760,300	3,602,955
Duncan Systems, Inc.				
A distributor of windshields and side glass for the recreational vehicle market.				
	\$ 135,000	11/01/06	134,870	134,144

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10% Senior Secured Term Note due 2013				
13% Senior Subordinated Note due 2014	\$	855,000	11/01/06	830,280 842,233
Common Stock (B)	180,000 shs.		11/01/06	180,000 44,432
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	56,514 shs.		11/01/06	78,160 13,950 1,223,310 1,034,759

E S P Holdco, Inc.

A manufacturer of power protection technology for commercial office equipment, primarily supplying the office equipment dealer network.

14% Senior Subordinated Note due 2015	\$	2,476,648	01/08/08	2,456,606 2,476,648
Common Stock (B)	660 shs.		01/08/08	329,990 378,963 2,786,596 2,855,611

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Eatem Holding Company				
A developer and manufacturer of savory flavor systems for soups, sauces, gravies, and other products produced by food manufacturers for retail and foodservice end products.				
12.5% Senior Subordinated				
Note due 2018	\$ 2,850,000	02/01/10	\$ 2,580,530	\$ 2,806,167
Common Stock (B)	150 shs.	02/01/10	150,000	156,665
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	358 shs.	02/01/10	321,300	373,543
			3,051,830	3,336,375
ELT Holding Company				
A provider of web-based ethics and compliance training solutions for companies in the United States.				
14% Senior Subordinated Note due 2019				
Common Stock (B)	\$ 2,801,706	03/01/12	2,754,086	2,796,289
	122 shs.	03/01/12	272,727	313,555
			3,026,813	3,109,844
F F C Holding Corporation				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
16% Senior Subordinated Note due 2017				
Limited Liability Company Unit Preferred (B)	\$ 2,739,068	09/27/10	2,705,220	2,766,458
Limited Liability Company Unit (B)	512 uts.	09/27/10	175,035	563,901
Limited Liability Company Unit (B)	512 uts.	09/27/10	51,220	64,651
			2,931,475	3,395,010
F G I Equity LLC				
A manufacturer of a broad range of filters and related products that are used in commercial, light industrial, healthcare, gas turbine, nuclear, laboratory, clean room, hotel, educational system, and food processing settings.				
13.25% Senior Subordinated Note due 2018	\$ 2,610,510	05/02/13	2,585,072	2,617,896
14.25% Senior Subordinated Note due 2018	\$ 680,341	02/29/12	680,532	693,948
Limited Liability Company Unit Class B-1 (B)	394,737 uts.	12/15/10	394,737	872,621
Limited Liability Company Unit Class B-2 (B)	49,488 uts.	12/15/10	49,488	109,400
Limited Liability Company Unit Class B-3 (B)	39,130 uts.	08/30/12	90,000	96,168
Limited Liability Company Unit Class C (B)	9,449 uts.	12/20/10	96,056	139,378
			3,895,885	4,529,411

Flutes, Inc.

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An independent manufacturer of micro fluted corrugated sheet material for the food and consumer products packaging industries.

10% Senior Secured Term Note due 2014 (D)	\$ 1,146,937	04/13/06	908,339	1,089,590
14% Senior Subordinated Note due 2014 (D)	\$ 756,489	04/13/06	509,089	—
			1,417,428	1,089,590

G C Holdings

A leading manufacturer of gaming tickets, industrial recording charts, security-enabled point-of sale receipts, and medical charts and supplies.

12.5% Senior Subordinated Note due 2017	\$ 3,000,000	10/19/10	2,856,173	3,030,000
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	594 shs.	10/19/10	140,875	1,636,605
			2,997,048	4,666,605

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
GD Dental Services LLC				
A provider of convenient “onestop” general, specialty, and cosmetic dental services with 21 offices located throughout South and Central Florida.				
14% Senior Subordinated Note due 2019	\$ 2,829,249	10/05/12	\$ 2,776,602	\$ 2,747,916
Limited Liability Company Unit Common (B)	1,840 uts.	10/05/12	1,841	—
Limited Liability Company Unit Preferred (B)	182 uts.	10/05/12	182,209	178,191
			2,960,652	2,926,107
gloProfessional Holdings, Inc.				
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 2019	\$ 2,730,570	03/27/13	2,677,776	2,675,865
Common Stock (B)	2,835 shs.	03/27/13	283,465	244,705
			2,961,241	2,920,570
Golden County Foods Holding, Inc.				
A manufacturer of frozen appetizers and snacks.				
16% Senior Subordinated Note due 2015 (D)	\$ 1,912,500	11/01/07	1,772,199	—
14% PIK Note due 2015 (D)	\$ 472,711	12/31/08	411,209	—
8% Series A Convertible Preferred Stock, convertible into common shares (B)	287,658 shs.	11/01/07	146,658	—
			2,330,066	—
H M Holding Company				
A designer, manufacturer, and importer of promotional and wood furniture.				
7.5% Senior Subordinated Note due 2014 (D)		\$685,100	10/15/09	512,231
Preferred Stock (B)		40 shs.	*	40,476
Preferred Stock Series B (B)		2,055 shs.	10/15/09	1,536,694
Common Stock (B)		340 shs.	02/10/06	340,000
Common Stock Class C (B)		560 shs.	10/15/09	—
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)		126 shs.	02/10/06	116,875

* 09/18/07 and 06/27/08.

2,546,276

—

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 2017	\$ 1,384,615	11/14/11	1,300,719	1,426,153
Common Stock (B)	115 shs.	11/14/11	115,385	257,031
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	83 shs.	11/14/11	76,788	184,014
			1,492,892	1,867,198

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Healthcare Direct Holding Company				
A direct-to-consumer marketer of discount dental plans.				
14% Senior Subordinated Note due 2019	\$ 2,151,183	03/09/12	\$ 2,114,541	\$ 2,050,806
Common Stock (B)	1,552 shs.	03/09/12	155,172	49,524
			2,269,713	2,100,330
Hi-Rel Group LLC				
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 2018	\$1,687,500	04/15/13	1,579,471	1,637,312
Limited Liability Company Unit (B)	563 uts.	04/15/13	562,500	534,375
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	89,224 shs.	04/15/13	77,625	892
			2,219,596	2,172,579
Home Décor Holding Company				
A designer, manufacturer and marketer of framed art and wall décor products.				
Common Stock (B)	63 shs.	*	62,742	159,093
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)	200 shs.	*	199,501	505,883
* 06/30/04 and 08/19/04.			262,243	664,976
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	—	—
Hospitality Mints Holding Company				
A manufacturer of individually-wrapped imprinted promotional mints.				
12% Senior Subordinated Note due 2016	\$2,075,581	08/19/08	1,993,040	2,002,267
Common Stock (B)	474 shs.	08/19/08	474,419	100,676
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	123 shs.	08/19/08	113,773	26,021
			2,581,232	2,128,964
HVAC Holdings, Inc.				

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A provider of integrated energy efficiency services and maintenance programs for HVAC systems.

14% Senior Subordinated Note due 2019	\$2,768,999	09/27/12	2,718,107	2,661,217
Preferred Stock Series A (B)	2,705 shs.	09/27/12	270,542	287,446
Common Stock (B)	2,185 shs.	09/27/12	2,185	8,156
				2,956,819

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
Ideal Tridon Holdings, Inc. A designer and manufacturer of clamps and couplings used in automotive and industrial end markets.				
Common Stock (B)	279 shs.	10/27/11	\$278,561	\$380,243
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	469,927
International Offshore Services LLC A leading provider of marine transportation services, platform decommissioning, and salvage services to oil and gas producers in the shallow waters of the Gulf of Mexico.				
14.25% Senior Subordinated Secured Note due 2017 (D)	\$2,550,000	07/07/09	2,335,431	—
Limited Liability Company Unit (B)	3,112 uts.	07/07/09	186,684	—
			2,522,115	—
J A C Holding Enterprises, Inc. A supplier of luggage racks and accessories to the original equipment manufacturers.				
12.5% Senior Subordinated Note due 2017	\$2,500,000	12/20/10	2,223,441	2,525,000
Preferred Stock A (B)	495 shs.	12/20/10	495,000	396,913
Preferred Stock B (B)	0.17 shs.	12/20/10	—	134
Common Stock (B)	100 shs.	12/20/10	5,000	—
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	36 shs.	12/20/10	316,931	—
			3,040,372	2,922,047
Jason Partners Holdings LLC A diversified manufacturing company serving various industrial markets.				
Limited Liability Company Unit (B)	90 uts.	09/21/10	848,275	48,185
JMH Investors LLC A developer and manufacturer of custom formulations for a wide variety of foods.				
14.25% Senior Subordinated Note due 2019	\$2,510,292	12/05/12	2,463,140	2,449,561
Limited Liability Company Unit (B)	521,739 uts.	12/05/12	521,739	453,010
			2,984,879	2,902,571
K & N Parent, Inc.				

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A manufacturer and supplier of automotive aftermarket performance air filters and intake systems.

14% Senior Subordinated Note due 2019	\$3,411,263	12/23/11	3,332,965	3,328,534
Preferred Stock Series A (B)	305 shs.	12/23/11	119,662	339,544
Preferred Stock Series B (B)	86 shs.	12/23/11	—	96,103
Common Stock (B)	391 shs.	12/23/11	19,565	112,222
			3,472,192	3,876,403

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
K N B Holdings Corporation				
A designer, manufacturer and marketer of products for the custom framing market.				
15% Senior Subordinated Note due 2017	\$4,582,290	*	\$4,291,930	\$4,582,289
	134,210			
Common Stock (B)	shs.	05/25/06	134,210	73,698
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	82,357 shs.	05/25/06	71,534	45,224
* 05/25/06 and 04/12/11.			4,497,674	4,701,211
K P H I Holdings, Inc.				
A manufacturer of highly engineered plastic and metal components for a diverse range of end-markets, including medical, consumer and industrial, automotive and defense.				
	698,478			
Common Stock (B)	shs.	12/10/10	698,478	739,725
K P I Holdings, Inc.				
The largest player in the U.S. non-automotive, non-ferrous die casting segment.				
Convertible Preferred Stock Series C (B)	55 shs.	06/30/09	55,435	110,000
Convertible Preferred Stock Series D (B)	24 shs.	09/17/09	24,476	73,410
Common Stock (B)	443 shs.	07/15/08	443,478	79,182
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	96 shs.	07/16/08	96,024	17,144
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	128 shs.	09/17/09	—	22,783
			619,413	302,519
LPC Holding Company				
A designer and manufacturer of precision-molded silicone rubber components that are utilized in the medical and automotive end markets.				
13.5% Senior Subordinated Note due 2018	\$3,512,926	08/15/11	3,456,645	3,559,594
Common Stock (B)	315 shs.	08/15/11	315,057	397,750
			3,771,702	3,957,344
M V I Holding, Inc.				
A manufacturer of large precision machined metal components used in equipment which services a variety of industries, including the oil and gas, mining, and defense markets.				
Common Stock (B)	61 shs.	09/12/08	60,714	76,521
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	66 shs.	09/12/08	65,571	82,647

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			126,285	159,168
Mail Communications Group, Inc.				
A provider of mail processing and handling services, lettershop services, and commercial printing services.				
Limited Liability Company Unit (B)	24,109 uts.	*	314,464	496,357
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	3,375 shs.	05/04/07	43,031	69,485
* 05/04/07 and 01/02/08.			357,495	565,842

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Manhattan Beachwear Holding Company				
A designer and distributor of women's swimwear.				
12.5% Senior Subordinated Note due 2018	\$1,259,914	01/15/10	\$1,146,639	\$1,259,914
15% Senior Subordinated Note due 2018	\$328,947	10/05/10	324,239	310,280
Common Stock (B)	106 shs.	10/05/10	106,200	118,176
Common Stock Class B (B)	353 shs.	01/15/10	352,941	392,741
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	312 shs.	01/15/10	283,738	347,574
			2,213,757	2,428,685
Marshall Physicians Services LLC				
A provider of emergency department and hospital medicine services to hospitals located in the state of Kentucky. The company was founded in 1999 and is owned by seven practicing physicians.				
13% Senior Subordinated Note due 2016	\$1,343,646	09/20/11	1,322,018	1,350,310
Limited Liability Company Unit Class A (B)	8,700 uts.	09/20/11	180,000	145,662
Limited Liability Company Unit Class D (B)	874 uts.	09/20/11	—	14,639
			1,502,018	1,510,611
MBWS Ultimate Holdco, Inc.				
A provider of services throughout North Dakota that address the fluid management and related transportation needs of an oil well.				
12% Senior Subordinated Note due 2016	\$3,352,486	*	3,143,309	3,386,011
Preferred Stock Series A (B)	4,164 shs.	09/07/10	416,392	1,332,776
Common Stock (B)	487 shs.	03/01/11	48,677	155,875
Common Stock (B)	458 shs.	09/07/10	45,845	146,592
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	310 shs.	03/01/11	30,975	99,222
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	1,158 shs.	09/07/10	115,870	370,642
* 09/07/10 and 03/01/11.			3,801,068	5,491,118
MedSystems Holdings LLC				
A manufacturer of enteral feeding products, such as feeding tubes and other products related to assisted feeding.				
Preferred Unit (B)	126 uts.	08/29/08	125,519	161,494
Common Unit Class A (B)	1,268 uts.	08/29/08	1,268	82,769
Common Unit Class B (B)	472 uts.	08/29/08	120,064	30,797
			246,851	275,060
MEGTEC Holdings, Inc.				

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A supplier of industrial and environmental products and services to a broad array of industries.

Preferred Stock (B)	107 shs.	09/24/08	103,255	162,239
Limited Partnership Interest (B)	1.40% int.	09/16/08	388,983	494,503
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	35 shs.	09/24/08	33,268	26,731
			525,506	683,473

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Merex Holding Corporation				
A provider of after-market spare parts and components, as well as Maintenance, Repair and Overhaul services for “out of production” or “legacy” aerospace and defense systems that are no longer effectively supported by the original equipment manufacturers.				
14% Senior Subordinated Note due 2018	\$1,273,585 467,833	09/22/11	\$1,252,665	\$1,289,382
Limited Liability Company Unit Series B (B)	uts.	09/22/11	467,833 1,720,498	372,523 1,661,905
MicroGroup, Inc.				
A manufacturer of precision parts and assemblies, and a value-added supplier of metal tubing and bars.				
7% Senior Subordinated Note due 2014 (D)	\$1,705,152	*	1,635,166	426,288
Preferred Stock Series A (B)	980 shs.	10/10/12	942,054	—
Common Stock (B)	450 shs.	*	450,000	—
Common Stock Series B (B)	1,128 shs.	10/10/12	11	—
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)	164 shs.	*	162,974	—
* 08/12/05 and 09/11/06.			3,190,205	426,288
MNX Holding Company				
An international third party logistics company providing customized logistics services to customers across the globe.				
14% Senior Subordinated Note due 2019	\$2,931,435	11/02/12	2,876,949	2,796,692
Common Stock (B)	107 shs.	11/02/12	107,143	67,549
			2,984,092	2,864,241
Monessen Holding Corporation				
A designer and manufacturer of a broad line of gas, wood, and electric hearth products and accessories.				
15% Senior Subordinated Note due 2015 (D)	\$1,556,056	06/28/11	1,034,632	—
7% Senior Subordinated Note due 2014 (D)	\$2,550,000	06/28/11	2,420,572	—
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)	152 shs.	03/31/06	138,125	—
			3,593,329	—
Motion Controls Holdings				
A manufacturer of high performance mechanical motion control and linkage products.				
14.25% Senior Subordinated Note due 2017	\$2,846,135	11/30/10	2,808,174	2,800,789
Limited Liability Company Unit Class B-1 (B)	281,250 uts.	11/30/10	—	211,103
Limited Liability Company Unit Class B-2 (B)	25,504 uts.	11/30/10	—	19,143

				2,808,174	3,031,035
NABCO, Inc.					
A producer of explosive containment vessels in the United States.					
Common Stock (B)	809 shs.	12/20/12		578,174	408,069

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
NetShape Technologies, Inc.				
A manufacturer of powder metal and metal injection molded precision components used in industrial, consumer, and other applications.				
14% Senior Subordinated Note due 2014	\$2,004,985	02/02/07	\$1,913,724	\$1,904,736
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	293,799
Limited Liability Company Unit Class D-2 of Saw Mill PCG Partners LLC (B)	128 uts.	04/29/11	65,256	—
* 12/18/08 and 09/30/09.			3,335,407	2,198,535
Newark Group, Inc.				
A major producer of paper products from recycled materials.				
Common Stock (B)	134,520 shs.	09/02/10	796,863	320,763
Nicoat Acquisitions LLC				
A manufacturer of water-based and ultraviolet coatings for high-performance graphic arts, packaging and other specialty coating applications.				
14% Senior Subordinated Note due 2018	\$1,464,083	11/05/10	1,369,342	1,478,724
Limited Liability Company Unit Series B (B)	51,724 uts.	11/05/10	51,724	62,734
Limited Liability Company Unit Series B (B)	104,792 uts.	11/05/10	104,792	127,099
Limited Liability Company Unit Series F (B)	156,516 uts.	11/05/10	—	485,602
			1,525,858	2,154,159
Northwest Mailing Services, Inc.				
A producer of promotional materials for companies that use direct mail as part of their customer retention and loyalty programs.				
12% Senior Subordinated Note due 2016	\$2,818,421	*	2,495,719	2,760,828
Limited Partnership Interest (B)	3,287 uts.	*		