

BABSON CAPITAL CORPORATE INVESTORS

Form N-30D

May 30, 2014

Adviser

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

Transfer Agent & Registrar

DST Systems, Inc.
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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
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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 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.

Babson Capital Corporate Investors

TO OUR SHAREHOLDERS

April 30, 2014

We are pleased to present the March 31, 2014 Quarterly Report of Babson Capital Corporate Investors (the "Trust").

The Board of Trustees declared a quarterly dividend of \$0.30 per share, payable on May 9, 2014 to shareholders of record on April 28, 2014. The Trust also paid a \$0.30 per share dividend for the preceding quarter. The Trust earned \$0.31 per share of net investment income for the first quarter of 2014, of which approximately \$0.06 per share represented income due to nonrecurring items, compared to \$0.30 per share in the previous quarter, of which approximately \$0.04 per share represented income due to nonrecurring items.

During the first quarter, the net assets of the Trust increased to \$277,298,835 or \$14.27 per share compared to \$268,687,514 or \$13.85 per share on December 31, 2013. 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 11.5%, 13.7%, 16.4%, 12.9%, 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 increased 1.6% during the quarter, from \$14.93 per share as of December 31, 2013 to \$15.17 per share as of March 31, 2014. The Trust's market price of \$15.17 per share equates to a 6.3% premium over the March 31, 2014 net asset value per share of \$14.27. The Trust's average quarter-end premium for the 3, 5 and 10-year periods was 19.8%, 13.9% and 12.8%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, increased 1.1% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, increased 3.0% for the quarter.

Middle market merger and acquisition activity was once again slow during the first quarter of 2014. Despite this, investment activity for the Trust was strong, with five new private placement investments closed in the first quarter. The five new investments were in GenNx Novel Holding, Inc., GTI Holding Company, Hartland Controls Holding Corporation, HHI Group, LLC and VP 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 \$13,618,000. This amount represents a slight increase from the \$13,406,000 invested by the Trust in the fourth quarter of 2013, but a 142% increase from the \$5,631,000 invested by the Trust in the first quarter of 2013. We are off to a good start for the year and our deal pipeline is currently robust. Competition for new investments continues to be intense though, as there continues to be an overabundance of private debt and equity capital available to be invested. Attractive companies are being aggressively pursued by buyers and lenders alike, pushing purchase prices and leverage multiples continually higher, approaching levels not seen since 2007. Though we are actively closing new deals, we are doing so cautiously and with discipline, consistent with our longstanding investment philosophy of taking prudent levels of risk and getting paid appropriately for the risk taken. For example, the average total leverage profile for the five new investments closed in the first quarter of 2014 was 4.3 times cashflow, which compares favorably to the market average of 4.9 times for middle market leveraged buyouts. This approach has served us well for many years and through all kinds of market cycles.

The condition of the Trust's existing portfolio remained solid through the first quarter. Sales and earnings for the Trust's portfolio as a whole continued their upward momentum. Credit upgrades during the quarter outnumbered credit downgrades by a two to one margin. The number of companies on our watch list and in default continues to be at or near the lowest level we have seen over the last five years. This investment resulted in a loss for the Trust though, as the company had been struggling financially for quite some time. We have a large backlog of portfolio companies that are in the process of being sold, with closings expected this year. We had five portfolio companies fully or partially prepay their debt instruments held by the Trust during the first quarter. This relatively low level of prepayment

activity is welcome after the unprecedented levels of prepayments we experienced in 2013, when 32 of the Trust's portfolio companies fully or partially prepaid their debt obligations to the Trust.

(Continued)

While the Trust was able to maintain its \$0.30 per share quarterly dividend in the first quarter, this level may not be sustainable for the rest of 2014. Excluding income from non-recurring items, the Trust's current earnings are less than the dividend rate. Earnings are down due principally to the considerable reduction in the number of higher-yielding private debt securities in the portfolio resulting from the high level of prepayment and exit activity that occurred in 2012 and 2013. We were not able to offset this with new investments due to the highly competitive market conditions and the slow merger and acquisition market that have existed for most of the past few years. While first quarter 2014 investment activity was strong, we do expect a higher than normal level of exit activity in the portfolio for the rest of 2014. It is therefore unlikely that we can build the portfolio back up to its former size in the near term. As we move through 2014, we and the Board of Trustees will continue to evaluate the earnings capacity of the Trust and seek to 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,

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.

Babson Capital Corporate Investors

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

March 31, 2014

(Unaudited)

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$202,807,934)	\$	200,831,121
Corporate restricted securities at market value (Cost - \$46,364,612)		48,700,110
Corporate public securities at market value (Cost - \$49,959,693)		52,621,140
Total investments (Cost - \$299,132,239)		302,152,371
Cash		5,332,149
Interest receivable		3,195,852
Other assets		168,769
Total assets		310,849,141

Liabilities:

Note payable		30,000,000
Deferred tax liability		1,516,326
Investment advisory fee payable		866,559
Tax payable		645,481
Interest payable		202,400
Accrued expenses		319,540
Total liabilities		33,550,306
Total net assets	\$	277,298,835

Net Assets:

Common shares, par value \$1.00 per share	\$	19,429,576
Additional paid-in capital		114,116,709
Retained net realized gain on investments, prior years		133,207,098
Undistributed net investment income		8,298,593
Accumulated net realized gain on investments		743,053
Net unrealized depreciation of investments		1,503,806
Total net assets	\$	277,298,835

Common shares issued and outstanding (28,054,782 authorized)	19,429,576
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Net asset value per share	\$ 14.27
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See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

For the three months ended March 31, 2014

(Unaudited)

Investment Income:		
Interest	\$	7,034,548
Dividends		487,657
Other		28,284
Total investment income		7,550,489
Expenses:		
Investment advisory fees		866,559
Interest		396,000
Trustees' fees and expenses		120,000
Professional fees		77,507
Reports to shareholders		22,500
Custodian fees		8,400
Other		122,190
Total expenses		1,613,156
Investment income - net		5,937,333
Net realized and unrealized gain on investments:		
Net realized gain on investments before taxes		753,669
Income tax expense		(552)
Net realized loss on investments after taxes		753,117
Net change in unrealized appreciation of investments before taxes		1,584,167
Net change in deferred income tax expense		(188,098)
Net change in unrealized appreciation of investments after taxes		1,396,069
Net gain on investments		2,149,186
Net increase in net assets resulting from operations	\$	8,086,519

See Notes to Consolidated Financial Statements

Babson Capital Corporate Investors

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2014

(Unaudited)

Net increase in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$	4,252,484
Purchases of portfolio securities		(36,070,386)
Proceeds from disposition of portfolio securities		14,581,277
Interest, dividends and other income received		5,677,719
Interest expense paid		(396,000)
Operating expenses paid		(1,128,531)
Income taxes paid		(80,552)
Net cash provided by operating activities		(13,163,989)

Cash flows from financing activities:

Cash dividends paid from net investment income		(5,818,097)
Receipts for shares issued on reinvestment of dividends		524,802
Net cash used for financing activities		(5,293,295)

Net increase in cash		(18,457,284)
Cash - beginning of year		23,789,433
Cash - end of period	\$	5,332,149

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

Net increase in net assets resulting from operations	\$	8,086,519
Increase in investments		(20,036,892)
Increase in interest receivable		(760,583)
Decrease in other assets		(129,648)
Increase in deferred tax liability		188,098
Increase in investment advisory fee payable		26,911
Decrease in tax payable		(80,000)
Decrease in payable for investments purchased		(520,108)
Increase in accrued expenses		61,714
Total adjustments to net assets from operations		(21,250,508)
Net cash provided by operating activities	\$	(13,163,989)

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the three months ended 03/31/2014 (Unaudited)	For the year ended 12/31/2013
Increase in net assets:		
Operations:		
Investment income - net	\$ 5,937,333	\$ 22,870,299
Net realized gain on investments after taxes	753,117	(942,568)
Net change in unrealized appreciation of investments after taxes	1,396,069	10,248,182
Net increase in net assets resulting from operations	8,086,519	32,175,913
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2014 - 35,921; 2013 - 153,982)	524,802	2,339,460
Dividends to shareholders from:		
Net investment income (2014 - \$0.00 per share; 2013 - \$1.20 per share)	—	(23,206,251)
Total increase in net assets	8,611,321	11,309,122
Net assets, beginning of year	268,687,514	257,378,392
Net assets, end of period/year (including undistributed net investment income of \$8,298,593 and \$2,361,260, respectively)	\$ 277,298,835	\$ 268,687,514

See Notes to Consolidated Financial Statements

Babson Capital Corporate Investors

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	For the three months ended 03/31/2014 (Unaudited)	For the years ended December 31,				
	2013	2012	2011(a)	2010(a)	2009(a)	
Net asset value:						
Beginning of year	\$ 13.85	\$ 13.38	\$ 12.69	\$ 12.56	\$ 11.45	\$ 11.17
Net investment income (b)	0.31	1.18	1.28	1.29	1.13	1.03
Net realized and unrealized gain (loss) on investments	0.11	0.48	0.69	0.17	1.06	0.33
Total from investment operations	0.42	1.66	1.97	1.46	2.19	1.36
Dividends from net investment income to common shareholders	—	(1.20)	(1.25)	(1.34)	(1.08)	(1.08)
Dividends from realized gain on investments to common shareholders	—	—	(0.05)	(0.01)	—	—
Increase from dividends reinvested	—	0.01	0.02	0.02	0.00(c)	0.00(c)
Total dividends	—	(1.19)	(1.28)	(1.33)	(1.08)	(1.08)
Net asset value: End of period/year	\$ 14.27	\$ 13.85	\$ 13.38	\$ 12.69	\$ 12.56	\$ 11.45
Per share market value:						
End of period/year	\$ 15.17	\$ 14.93	\$ 15.28	\$ 17.99	\$ 15.28	\$ 12.55
Total investment return						
Net asset value (d)	3.03%	12.76%	17.07%	12.00%	19.81%	12.64%
Market value (d)	1.59%	5.93%	(7.11%)	27.92%	31.73%	39.89%
Net assets (in millions):						
End of period/year	\$ 277.30	\$ 268.69	\$ 257.38	\$ 241.94	\$ 237.58	\$ 214.44
Ratio of total expenses to average net assets	2.39%(f)	2.42%	3.17%	2.42%	2.57%	2.33%
Ratio of operating expenses to average net assets	1.80%(f)	1.64%	1.66%	1.62%	1.60%	1.58%

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Ratio of interest expense to average net assets	0.59%(f)	0.59%	0.63%	0.64%	0.70%	0.75%
Ratio of income tax expense to average net assets (e)	0.00%(f)	0.19%	0.88%	0.16%	0.27%	0.00%
Ratio of net investment income to average net assets	8.80%(f)	8.50%	9.78%	9.91%	9.46%	9.06%
Portfolio turnover	5%	34%	34%	21%	39%	23%

(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
Asset coverage per \$1,000 of indebtedness	\$ 10,243	\$ 9,956	\$ 9,579	\$ 9,065	\$ 8,919	\$ 8,148

See Notes to Consolidated Financial Statements

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2014

(Unaudited)

Corporate Restricted Securities - 89.99%: (A)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Private Placement Investments - 72.43%				
1492 Acquisition LLC				
A leading producer of premium Italian cured meats and deli meats in the U.S.				
14% Senior Subordinated Note due 2019				
	\$ 1,601,827	10/17/12	\$ 1,574,125	\$ 1,633,863
Limited Liability Company Unit Class A Common (B)				
	27,273 uts.	10/17/12	27,273	113,777
Limited Liability Company Unit Class A Preferred (B)				
	245 uts.	10/17/12	245,450	270,528
			1,846,848	2,018,16
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	181,387	410,816
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.				
14% Senior Subordinated Note due 2020				
	\$ 1,942,789	12/20/13	1,905,083	1,968,989
Limited Liability Company Unit Class A (B)				
	5,843 shs.	*	290,317.00	508,744.00
Limited Liability Company Unit Class B (B)				
	2,793 uts.	10/09/09	100,114	243,184
			2,295,514	2,720,917
* 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
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.				

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A manufacturer of mine and tunneling ventilation products
in the U.S.

13% Senior Subordinated Note due 2019	\$ 1,200,000	08/01/12	1,093,302	1,211,018
Preferred Stock Series A (B) Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)	300,000 shs. 53,794 shs.	08/01/12 08/01/12	300,000 101,870 1,495,172	373,232 61,997 1,646,247

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	—	—
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Babson Capital Corporate Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	\$ 2,685,960	\$ 2,545,430
Limited Liability Company Unit (B)	3,434 uts.	*	343,385	233,962
* 12/07/12 and 7/11/13.			3,029,345	2,779,392
Advanced Technologies Holdings A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	796 shs.	12/27/07	393,754	1,462,111
Convertible Preferred Stock Series B (B)	52 shs.	01/04/11	40,800	96,452
			434,554	1,558,563
All Current Holding Company A specialty re-seller of essential electrical parts and components primarily serving wholesale distributors.				
Common Stock (B)	1,347 shs.	09/26/08	134,683	266,162
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B) 958 shs.		09/26/08	87,993	189,297
			222,676	455,459
American Hospice Management Holding LLC A for-profit hospice care provider in the United States.				
12% Senior Subordinated Note due 2014	\$ 2,337,496	*	2,335,734	2,220,621
Preferred Class A Unit (B)	3,223 uts.	**	322,300	137,624
Preferred Class B Unit (B)	1,526 uts.	06/09/08	152,626	381,409
Common Class B Unit (B)	30,420 uts.	01/22/04	1	—
Common Class D Unit (B)	6,980 uts.	09/12/06	1	—
* 01/22/04 and 06/09/08.			2,810,662	2,739,654
** 01/22/04 and 09/12/06.				

AMS Holding LLC

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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	452,405
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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.

Preferred Stock Series B (B)	3,065 shs.	04/28/09	306,507	479,125
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Common Stock (B)	1,366 shs.	04/28/09	1,366	364,735
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			307,873	843,860
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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Arch Global Precision LLC				
A leading manufacturer of high tolerance precision components and consumable tools.				
14.75% Senior Subordinated Note due 2018				
	\$ 2,394,743	12/21/11	\$ 2,348,943	\$ 2,442,638
Limited Liability Company Unit Class B (B)				
	79 uts.	12/21/11	85,250	167,107
Limited Liability Company Unit Class C (B)				
	671 uts.	12/21/11	664,750	1,363,864
			3,098,943	3,973,609
ARI Holding Corporation				
A leading national supplier of products used primarily by specialty contractors.				
13.5% Senior Subordinated Note due 2020				
	\$ 2,620,461	05/21/13	2,569,991	2,593,349
Preferred Stock (B)				
	58 shs.	05/21/13	579,208	584,348
Common Stock (B)				
	58 shs.	05/21/13	64,356	104,324
			3,213,555	3,282,021
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				
	\$ 388,481	05/18/05	345,105	388,481
Preferred Stock (B)				
	63 shs.	10/16/09	62,756	193,640
Common Stock (B)				
	497 shs.	05/18/05	497,340	56,904
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share				
	130 shs.	05/18/05	112,128	14,918
			1,017,329	653,943
Baby Jogger Holdings LLC				
A designer and marketer of premium baby strollers and stroller accessories.				
14% Senior Subordinated Note due 2019				
	\$ 2,826,634	04/20/12	2,781,786	2,883,167
Common Stock (B)				
	2,261 shs.	04/20/12	226,132	385,567
			3,007,918	3,268,734
Blue Wave Products, Inc.				
A distributor of pool supplies.				
10% Senior Secured Term Note due 2018				
	\$ 714,893	10/12/12	703,361	714,893

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13% Senior Subordinated Note due 2019	\$ 725,483	10/12/12	679,815	726,011
Common Stock (B)	114,894 shs.	10/12/12	114,894	191,742
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	45,486 shs.	10/12/12	45,486 1,543,556	75,910 1,708,556
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	\$ 2,573,950	10/17/12	2,532,496	2,534,152
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 3,032,496	462,206 3,078,372

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	\$ 2,274,797	\$ 2,053,434
Preferred Stock Class A (B)	879 shs.	06/30/06	268,121	115,275
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 2,635,306	40,513 2,209,222
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	\$ 46,929	08/07/08	46,863	46,929
12.5% Senior Subordinated Note due 2015	\$ 750,872	08/07/08	730,930	750,872
Common Stock (B)	73,256 shs.	08/07/08	73,256	174,955
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	57,600 shs.	08/07/08	57,689 908,738	137,565 1,110,321
Capital Specialty Plastics, Inc.				
A producer of desiccant strips used for packaging pharmaceutical products.				
Common Stock (B)	109 shs.	*	503	1,068,503
*12/30/97 and 05/29/99.				
CG Holdings Manufacturing Company				
A coating provider serving the automotive, agricultural, heavy truck and other end markets.				
13% Senior Subordinated Note due 2019	\$ 3,390,252	05/09/13	3,204,351	3,475,487
Preferred Stock (B)	3,241 shs.	05/09/13	324,054	227,852
Preferred Stock (B)	1,174 shs.	05/09/13	116,929	82,553

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Common Stock (B)	337 shs.	05/09/13	35,673	128,975
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	137 shs.	05/09/13	13,033	52,474
			3,694,040	3,967,341
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	\$ 2,226,881	01/19/11	2,133,210	2,271,418
14% Senior Subordinated Note due 2019	\$ 575,843	08/03/12	565,790	577,893
Common Stock (B)	1,125 shs.	01/19/11	112,500	141,748
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B) 884 shs.		01/19/11	87,750	111,422
			2,899,250	3,102,481

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	\$ 1,249,125	03/26/12	\$ 1,218,053	\$ 1,260,389
Common Stock (B)	3,981 shs.	*	398,100	311,261
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	172 shs.	03/26/12	17,220	13,448
*03/26/12, 05/25/12 and 06/19/12.			1,633,373	1,585,098
Clough, Harbour and Associates				
An engineering service firm that is located in Albany, NY.				
Preferred Stock (B)	277 shs.	12/02/08	276,900	416,462
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	109,522
Limited Liability Company Unit Class C (B)	112,873 uts.	01/12/07	112,873	84,896
Limited Liability Company Unit Class D (B)	1,268,437 uts.	05/03/10	—	1,388,290
Limited Liability Company Unit Class E (B)	2,081 uts.	05/03/10	—	—
			268,919	1,582,708
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	571,749
Preferred Stock Series C (B)	7,080 shs.	07/05/07	236,503	199,917
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	771,666
CorePharma LLC				
A manufacturer of oral dose generic pharmaceuticals targeted at niche applications.				
Warrant, exercisable until 2015, to purchase common stock at \$.001 per share (B)	20 shs.	08/04/05	137,166	506,528
Crane Rental Corporation				

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A crane rental company since 1960,
headquartered in Florida.

13% Senior Subordinated Note due 2015	\$ 1,950,750	08/21/08	1,890,030	1,950,750
Common Stock (B)	255,000 shs.	08/21/08	255,000	217,002
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	136,070 shs.	08/21/08	194,826 2,339,856	115,794 2,283,546

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
CTM Holding, Inc.				
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 2019	\$ 2,389,103 62,088	11/22/13	\$ 2,343,613	\$ 2,432,770
Common Stock (B)	shs.	11/22/13	886,364 3,229,977	570,395 3,003,165
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	411,587
Preferred Stock Series A (B)	216 shs.	10/27/09	197,152	300,721
Common Stock (B)	72 shs.	10/27/09	72,238	12,648
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	53 shs.	10/27/09	48,608 613,548	9,241 734,197
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	\$ 3,189,623	05/04/12	3,139,302	3,035,025
Preferred Stock (B)	61 shs.	05/04/12	605,841	664,475
Common Stock (B)	61 shs.	05/04/12	67,316 3,812,459	121,569 3,821,069
Duncan Systems, Inc.				
A distributor of windshields and side glass for the recreational vehicle market.				
10% Senior Secured Term Note due 2015	\$ 45,000	11/01/06	45,000	44,669
13% Senior Subordinated Note due 2015	\$ 855,000	11/01/06	839,516	852,594
Common Stock (B) 180,000 shs.		11/01/06	180,000	56,643
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	56,514 shs.	11/01/06	78,160 1,142,676	17,784 971,690
E S P Holdco, Inc.				

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

	660			
Common Stock (B)	shs.	01/08/08	329,990	404,657

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	2,612,917	2,878,500
Common Stock (B)	150 shs.	02/01/10	150,000	188,638
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	358 shs.	02/01/10	321,300 3,084,217	449,775 3,516,913

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	\$ 2,844,571	03/01/12	\$ 2,801,297	\$ 2,873,017
Common Stock (B)	122 shs.	03/01/12	272,727	287,662
			3,074,024	3,160,679
EPM Holding Company				
A provider of non-discretionary regulatory driven engineering services that support mission critical safety and operational aspects of nuclear power plants.				
14.5% Senior Subordinated Note due 2019	\$ 1,170,747	07/26/13	1,149,443	1,171,606
Common Stock	3,069 shs.	07/26/13	306,947	222,986
			1,456,390	1,394,592
F F C Holding Corporation				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
Limited Liability Company Unit Preferred (B)	512 uts.	09/27/10	175,035	598,904
Limited Liability Company Unit (B)	512 uts.	09/27/10	51,220	77,538