

BABSON CAPITAL CORPORATE INVESTORS

Form N-30D

November 30, 2012

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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 temporarily invest, subject to certain limitations, in marketable investment grade debt securities, other marketable debt

#### 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>.

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.

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Babson Capital Corporate Investors

To Our Shareholders

October 31, 2012

We are pleased to present the September 30, 2012 Quarterly Report of Babson Capital Corporate Investors (the "Trust").

The Board of Trustees declared a quarterly dividend of 30 cents per share, payable on November 9, 2012 to shareholders of record on October 29, 2012. 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 third quarter of 2012, compared to 31 cents per share in the previous quarter.

During the third quarter, the net assets of the Trust increased to \$258,813,018 or \$13.48 per share compared to \$250,797,661 or \$13.08 per share on June 30, 2012. This translates into a 5.4% 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 13.0%, 15.2%, 8.8%, 13.6%, and 12.9% 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 8.9% during the quarter, from \$15.33 per share as of June 30, 2012 to \$16.70 per share as of September 30, 2012. The Trust's market price of \$16.70 per share equates to a 23.9% premium over the September 30, 2012 net asset value per share of \$13.48. The Trust's average quarter-end premium for the 3, 5 and 10-year periods was 20.4%, 12.6% and 11.9%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, increased 5.3% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, increased 4.5% for the quarter.

The Trust closed two new private placement investments and four "follow-on" investments in existing portfolio companies during the third quarter. The two new investments were in ABC Industries, Inc. and HVAC Holdings, Inc., while the four follow-on investments were in CHG Alternative Education Holding Company, DPC Holdings LLC, LPC Holding Company and Merex Holding Corporation. 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 \$7,554,000.

U.S. middle market buyout activity picked up nicely in the third quarter of 2012, and has remained strong so far in the fourth quarter. Despite the increase in deal activity, the continued abundance of capital, including senior debt, mezzanine debt and equity capital, has caused purchase price multiples and leverage levels for middle market transactions to remain high. In the face of these aggressive market conditions, we were pleased to be able to close six new investments in the third quarter. We expect our fourth quarter investment activity to be even stronger. In fact, in the first month of the fourth quarter, we have already closed five new investments and we have several more in process. 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 risks taken. This approach has served us well for many years and through all kinds of market cycles.

We continue to be pleased with the performance of our portfolio companies, as most reported improved operating results in the third quarter of 2012. Several more of our companies were also able to resume paying cash interest on their debt obligations due to their improved financial results and liquidity positions. Realization activity for the Trust in the third quarter was strong once again, with four companies, Aero Holdings, Inc., Nyloncraft, Inc., Power Services Holding Company, and Stanton Carpet Holding Company, sold for nice gains. The Nyloncraft realization is particularly noteworthy. In January 2002, we made our original investment in the company, which is a supplier of plastic components to the U.S. automotive industry. Nyloncraft's performance was negatively impacted by the

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severe downturn in the auto industry in 2008-2009. Thanks to the efforts of the transaction sponsor, Hammond, Kennedy, Whitney & Company, and the company's management team, the company survived the downturn and actually gained market share as the industry rebounded in 2010. Our patience with the company ultimately paid off as the company was sold in September 2012 and we realized nearly two and one-half times our original investment. Since the end of the third quarter, we have had another three companies sold, bringing the year-to-date total to 14 realizations for the portfolio. We have a few more companies that we expect to be sold by year-end. Overall, 2012 will be a very strong year for portfolio company sales. In addition to this realization activity, refinancing activity, in which the Trust's subordinated note holdings are fully or partially prepaid, continues at a high level, as companies seek to take advantage of improved operating performance, low interest rates and credit availability. We have had 14 full or partial prepayments so far this year. As mentioned in prior reports, strong realization and refinancing activity is a double-edged sword, as the resulting loss of income-producing investments could adversely impact the Trust's ability to sustain its dividend level. We have been fortunate that our new investment activity in recent periods has been strong and has enabled us to maintain the income-generating capacity of the portfolio.

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

Babson Capital Corporate Investors

September 30, 2012

(Unaudited)

## Assets:

## Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value

(Cost - \$244,716,370)

\$226,513,949

Corporate restricted securities at market value

(Cost - \$16,328,579)

16,905,740

Corporate public securities at market value

(Cost - \$30,421,509)

31,741,549

Short-term securities at amortized cost

6,999,817

Total investments (Cost - \$298,466,275)

282,161,055

Cash

7,529,428

Interest receivable

3,370,440

Receivable for investments sold

23,986

Other assets

62,964

Total assets

293,147,873

## Liabilities:

Note payable

30,000,000

Payable for investments purchased

2,000,000

Investment advisory fee payable

808,791

Deferred tax liability

1,079,246

Interest payable

202,400

Accrued expenses

244,418

Total liabilities

34,334,855

Total net assets

\$258,813,018

## Net Assets:

Common shares, par value \$1.00 per share

\$19,204,886

Additional paid-in capital

110,198,158

Retained net realized gain on investments, prior years

127,807,139

Undistributed net investment income

9,208,004

Accumulated net realized gain on investments

9,779,297

Net unrealized depreciation of investments

(17,384,466)

Total net assets

\$258,813,018

Common shares issued and outstanding (23,798,420 authorized)

19,204,886

Net asset value per share

\$13.48

See Notes to Consolidated Financial Statements

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## CONSOLIDATED STATEMENT OF OPERATIONS

For the nine months ended September 30, 2012

(Unaudited)

Investment Income:	
Interest	\$21,145,837
Dividends	743,334
Other	210,324
Total investment income	22,099,495
Expenses:	
Investment advisory fees	2,366,545
Interest	1,188,295
Trustees' fees and expenses	370,000
Professional fees	200,656
Reports to shareholders	79,500
Custodian fees	25,200
Other	44,506
Total expenses	4,274,702
Investment income - net	17,824,793
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	7,769,410
Income tax expense	(8,559 )
Net realized gain on investments after taxes	7,760,851
Net change in unrealized depreciation of investments before taxes	745,915
Net change in deferred income tax expense	(85,511 )
Net change in unrealized depreciation of investments after taxes	660,404
Net gain on investments	8,421,255
Net increase in net assets resulting from operations	\$26,246,048

See Notes to Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

Babson Capital Corporate Investors

For the nine months ended September 30, 2012

(Unaudited)

Net increase in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$(2,717,990 )
Purchases of portfolio securities	(54,177,637)
Proceeds from disposition of portfolio securities	61,936,081
Interest, dividends and other income received	17,852,866
Interest expense paid	(1,188,000 )
Operating expenses paid	(3,010,009 )
Income taxes paid	(8,559 )

Net cash provided by operating activities	18,686,752
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Cash flows from financing activities:

Cash dividends paid from net investment income	(20,069,396)
Receipts for shares issued on reinvestment of dividends	2,111,237
Net cash used for financing activities	(17,958,159)

Net increase in cash	728,593
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Cash - beginning of year	6,800,835
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Cash - end of period	\$7,529,428
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Reconciliation of net increase in net assets to net cash provided by operating activities:

Net increase in net assets resulting from operations	\$26,246,048
Increase in investments	(9,112,839 )
Increase in interest receivable	(696,604 )
Increase in receivable for investments sold	(23,986 )
Decrease in other assets	111,929
Increase in payable for investments purchased	2,000,000
Increase in deferred tax liability	85,511
Increase in investment advisory fee payable	52,717
Increase in interest payable	295
Increase in accrued expenses	23,681
Total adjustments to net assets from operations	(7,559,296 )

Net cash provided by operating activities	\$18,686,752
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See Notes to Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the nine months ended 09/30/2012 (Unaudited)	For the year ended 12/31/2011
Increase in net assets:		
Operations:		
Investment income - net	\$17,824,793	\$24,417,226
Net realized gain on investments after taxes	7,760,851	848,378
Net change in unrealized depreciation of investments after taxes	660,404	2,341,410
Net increase in net assets resulting from operations	26,246,048	27,607,014
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2012 - 134,676; 2011 - 156,934)	2,111,237	2,426,607
Dividends to shareholders from:		
Net investment income (2012 - \$0.60 per share; 2011 - \$1.34 per share)	(11,487,801 )	(25,488,812 )
Net realized gains (2012 - \$0.00; 2011 - \$0.01 per share)	-	(186,150 )
Total increase in net assets	16,869,484	4,358,659
Net assets, beginning of year	241,943,534	237,584,875
Net assets, end of period/year (including undistributed net investment income of \$9,208,004 and \$2,871,012, respectively)	\$258,813,018	\$241,943,534

See Notes to Consolidated Financial Statements

## CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Babson Capital Corporate Investors

Selected data for each share of beneficial interest outstanding:

	For the nine months ended 09/30/2012 (Unaudited)(a)	For the years ended December 31,					2008(a)	2007(a)
		2011(a)	2010(a)	2009(a)				
Net asset value:								
Beginning of year	\$ 12.69	\$12.56	\$11.45	\$11.17	\$13.60	\$13.76		
Net investment income (b)	0.93	1.29	1.13	1.03	1.16	1.28		
Net realized and unrealized gain (loss) on investments	0.44	0.17	1.06	0.33	(2.51 )	(0.17 )		
Total from investment operations	1.37	1.46	2.19	1.36	(1.35 )	1.11		
Dividends from net investment income to common shareholders	(0.60 )	(1.34 )	(1.08 )	(1.08 )	(1.08 )	(1.29 )		
Dividends from realized gain on investments to common shareholders	-	(0.01 )	-	-	-	-		
Increase from dividends reinvested	0.02	0.02	0.00 (c)	0.00 (c)	0.00 (c)	0.02 (c)		
Total dividends	(0.58 )	(1.33 )	(1.08 )	(1.08 )	(1.08 )	(1.27 )		
Net asset value: End of period/year	\$ 13.48	\$12.69	\$12.56	\$11.45	\$11.17	\$13.60		
Per share market value:								
End of period/year	\$ 16.70	\$17.99	\$15.28	\$12.55	\$9.63	\$15.10		
Total investment return								
Net asset value (d)	11.19 %	12.00 %	19.81 %	12.64 %	(10.34 %)	8.72 %		
Market value (d)	(3.40 %)	27.92 %	31.73 %	39.89 %	(30.44 %)	(8.78 %)		
Net assets (in millions):								
End of period/year	\$ 258.81	\$241.94	\$237.58	\$214.44	\$208.14	\$251.16		
Ratio of operating expenses to average net assets	1.66 % (f)	1.62 %	1.60 %	1.58 %	1.49 %	1.55 %		
Ratio of interest expense to average net assets	0.64 % (f)	0.64 %	0.70 %	0.75 %	0.67 %	0.59 %		
Ratio of income tax expense to average net assets (e)	0.00 % (f)	0.16 %	0.27 %	0.00 %	0.00 %	0.35 %		
Ratio of total expenses to average net assets	2.30 % (f)	2.42 %	2.57 %	2.33 %	2.16 %	2.49 %		

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Ratio of net investment  
income

to average net assets	9.57	%(f)	9.91	%	9.46	%	9.06	%	9.01	%	9.17	%
Portfolio turnover	21	%	21	%	39	%	23	%	32	%	35	%

- (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 shareholders.  
 (f) Annualized

Senior borrowings:

Total principal amount (in millions)	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
Asset coverage per \$1,000 of indebtedness	\$ 9,627	\$ 9,065	\$ 8,919	\$ 8,148	\$ 7,938	\$ 9,372

See Notes to Consolidated Financial Statements

## CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 94.05%: (A)				
Private Placement Investments - 87.52%				
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	\$303,366
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	161,538 shs.	11/10/09	119,991 443,068	151,683 455,049
A H C Holding Company, Inc.				
A designer and manufacturer of boilers and water heaters for the commercial sector.				
15% Senior Subordinated Note due 2015	\$ 2,694,390	11/21/07	2,666,678	2,694,390
Limited Partnership Interest (B)	23.16% int.	11/21/07	224,795 2,891,473	311,902 3,006,292
A S A P Industries LLC				
A designer and manufacturer of components used on oil and natural gas wells.				
Limited Liability Company Unit Class A-2 (B)	1,276 uts.	12/31/08	140,406	637,019
Limited Liability Company Unit Class A-3 (B)	1,149 uts.	12/31/08	126,365 266,771	573,319 1,210,338
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.				
12.75% Senior Subordinated Note due 2016	\$2,318,182	10/09/09	2,085,293	2,341,364
Limited Liability Company Unit Class A (B)	4,128 uts.	*	405,691	559,916
Limited Liability Company Unit Class B (B)	2,782 uts.	10/09/09	273,352	377,346
* 10/09/09 and 10/27/10.			2,764,336	3,278,626
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	661,500
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	-

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Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	36,923 shs.	05/15/08	62,395	-
ABC Industries, Inc.				
A manufacturer of mine and tunneling ventilation products in the U.S.				
13% Senior Subordinated Note due 2019	\$ 1,800,000	08/01/12	1,613,774	1,802,425
Preferred Stock Series A (B)	450,000 shs.	08/01/12	450,000	427,500
Warrant, exercisable until 2022, to purchase				
common stock at \$.01 per share (B)	80,690 shs.	08/01/12	152,805	807
			2,216,579	2,230,732

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
September 30, 2012  
(Unaudited)

Babson Capital Corporate  
Investors

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value	
Advanced Technologies Holdings A provider of factory maintenance services to industrial companies. Preferred Stock Series A (B)	1,031 shs.	12/27/07	\$ 510,000	\$ 1,276,354	
Convertible Preferred Stock Series B (B)	52 shs.	01/04/11	40,800 550,800	65,006 1,341,360	
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	1,082,958	1,140,317	
Common Stock (B)	1,347 shs.	09/26/08	134,683	183,832	
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	958 shs.	09/26/08	87,993 1,305,634	130,743 1,454,892	
American Hospice Management Holding LLC A for-profit hospice care provider in the United States. 12% Senior Subordinated Note due 2013	3,187,495	*	3,145,605	3,187,495	
Preferred Class A Unit (B)	3,223 uts.	**	322,300	634,953	
Preferred Class B Unit (B)	1,526 uts.	06/09/08	152,626	177,528	
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.			3,620,533	3,999,976	
** 01/22/04 and 09/12/06.					
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	1,734,443	1,912,500
Preferred Stock Series B (B)		3,065 shs.	04/28/09	306,507	186,529
Common Stock (B)		1,366 shs.	04/28/09	1,366	83,134
				2,042,316	2,182,163
Arch Global Precision LLC A leading manufacturer of high tolerance precision components and consumable tools. 14.75% Senior Subordinated Note due 2018		\$ 2,298,294	12/21/11	2,243,557	2,408,479

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Limited Liability Company Unit Class B (B)	85 uts.	12/21/11	85,250	111,125
Limited Liability Company Unit Class C (B)	665 uts.	12/21/11	664,750	866,515
			2,993,557	3,386,119

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2012

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Arrow Tru-Line Holdings, Inc.				
A manufacturer of hardware for residential and commercial overhead garage doors in North America.				
8% Senior Subordinated Note due 2014 (D)				
	\$ 1,990,935	05/18/05	\$ 1,823,261	\$ 1,692,295
Preferred Stock (B)				
	63 shs.	10/16/09	62,756	-
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	-
			2,495,485	1,692,295
Associated Diversified Services				
A provider of routine maintenance and repair services primarily to electric utility companies predominantly on electric power distribution lines.				
10% Senior Secured Term Note due 2016 (C)				
	\$ 648,000	09/30/10	636,132	657,925
13% Senior Subordinated Note due 2017				
	\$ 853,714	09/30/10	778,863	853,714
Limited Liability Company Unit Class B (B)				
	92,571 uts.	09/30/10	92,571	113,694
Limited Liability Company Unit Class B (B)				
	70,765 uts.	09/30/10	70,765	86,912
			1,578,331	1,712,245
Baby Jogger Holdings LLC				
A designer and marketer of premium baby strollers and stroller accessories.				
14% Senior Subordinated Note due 2019				
	\$ 2,798,579	04/20/12	2,745,539	2,851,530
Common Stock (B)				
	2,261 shs.	04/20/12	226,132	265,012
			2,971,671	3,116,542
Barcodes Group, Inc.				
A distributor and reseller of automatic identification and data capture equipment, including mobile computers, scanners, point-of-sale systems, labels, and accessories.				
13.5% Senior Subordinated Note due 2016				
		\$ 1,955,205	07/27/10	1,885,107
Preferred Stock (B)				
		39 shs.	07/27/10	394,487
Common Stock Class A (B)				
		131 shs.	07/27/10	1,310
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)				
		23 shs.	07/27/10	227
				51,458

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2,281,131 2,717,420

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	2,237,788	570,398
Preferred Stock Class A (B)	879 shs.	06/30/06	268,121	-
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	-
			2,598,297	570,398

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
September 30, 2012  
(Unaudited)

Babson Capital Corporate  
Investors

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>C D N T, Inc.</b>				
A value-added converter and distributor of specialty pressure sensitive adhesives, foams, films, and foils.				
10.5% Senior Secured Term Note due 2014	\$328,506	08/07/08	\$326,041	\$328,506
12.5% Senior Subordinated Note due 2015	\$750,872	08/07/08	712,498	750,872
Common Stock (B)	73,256 shs.	08/07/08	73,256	84,105
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	57,600 shs.	08/07/08	57,689	66,131
			1,169,484	1,229,614
<b>Capital Specialty Plastics, Inc.</b>				
A producer of desiccant strips used for packaging pharmaceutical products.				
Common Stock (B)	109 shs.	*	503	1,134,288
* 12/30/97 and 05/29/99.				
<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 2018	\$2,193,333	01/19/11	2,084,748	2,254,379
14% Senior Subordinated Note due 2019	\$564,313	08/03/12	553,226	567,027
Common Stock (B)	1,125 shs.	01/19/11	112,500	95,902
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	884 shs.	01/19/11	87,750	75,385
			2,838,224	2,992,693
<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 2018	\$1,212,298	03/26/12	1,173,576	1,248,667
Common Stock (B)	3,981 shs.	*	398,100	569,836
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	172 shs.	03/26/12	17,220	24,620
* 03/26/12, 05/25/12 and 06/19/12.			1,588,896	1,843,123
<b>Clough, Harbour and Associates</b>				
An engineering service firm that is located in Albany, NY.				
Preferred Stock (B)	277 shs.	12/02/08	276,900	171,840
<b>Coeur, Inc.</b>				

A producer of proprietary, disposable power injection syringes.

12% Senior Subordinated Note due 2016	\$ 1,214,286	10/10/08	1,140,828	1,214,286
Common Stock (B)	607 shs.	10/10/08	60,714	95,805
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	934 shs.	10/10/08	91,071	147,395
			1,292,613	1,457,486

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2012

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Connecticut Electric, Inc.</b>				
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	\$1,310,786
Limited Liability Company Unit Class A (B)	156,046 uts.	01/12/07	156,046	31,383
Limited Liability Company Unit Class C (B)	112,873 uts.	01/12/07	112,873	22,700
Limited Liability Company Unit Class D (B)	1,268,437 uts.	05/03/10	-	255,097
Limited Liability Company Unit Class E (B)	2,081 uts.	05/03/10	-	418
			1,627,594	1,620,384
<b>Connor Sport Court International, Inc.</b>				
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	1,699,774
Preferred Stock Series C (B)	7,080 shs.	07/05/07	236,503	701,590
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	2,401,364
<b>CorePharma LLC</b>				
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	1,088,093
<b>Crane Rental Corporation</b>				
A crane rental company since 1960, headquartered in Florida.				
13% Senior Subordinated Note due 2015	\$2,295,000	08/21/08	2,164,521	2,254,410
Common Stock (B)	255,000 shs.	08/21/08	255,000	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	136,070 shs.	08/21/08	194,826	-
			2,614,347	2,254,410
<b>Custom Engineered Wheels, Inc.</b>				

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A manufacturer of custom engineered, non-pneumatic plastic wheels and plastic tread cap tires used primarily for lawn and garden products and wheelchairs.

12.5% Senior Subordinated Note due 2016	\$ 1,937,020	10/27/09	1,755,851	1,972,286
Preferred Stock PIK (B)	296 shs.	10/27/09	295,550	270,852
Preferred Stock Series A (B)	216 shs.	10/27/09	197,152	197,895
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	-
			2,369,399	2,441,033

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
September 30, 2012  
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Babson Capital Corporate  
Investors

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>DPC Holdings LLC</b>				
A provider of accounts receivable management and revenue cycle management services to customers in the healthcare, financial and utility industries.				
14% Senior Subordinated Note due 2018 Limited Liability Company Unit Class A (B) * 10/21/11 and 08/03/12.	\$ 3,396,439	*	\$ 3,336,049	\$3,472,985
	40,643 uts.	*	406,432	259,028
			3,742,481	3,734,013
<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 2019	\$ 2,474,492	05/04/12	2,427,627	2,571,888
Preferred Stock (B)	49 shs.	05/04/12	490,910	497,118
Common Stock (B)	49 shs.	05/04/12	54,546	27,405
			2,973,083	3,096,411
<b>Duncan Systems, Inc.</b>				
A distributor of windshields and side glass for the recreational vehicle market.				
10% Senior Secured Term Note due 2013	\$ 270,000	11/01/06	269,175	268,518
13% Senior Subordinated Note due 2014	\$ 855,000	11/01/06	818,362	843,343
Common Stock (B)	180,000 shs.	11/01/06	180,000	13,884
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	56,514 shs.	11/01/06	78,160	4,359
			1,345,697	1,130,104
<b>E S P Holdco, Inc.</b>				
A manufacturer of power protection technology for commercial office equipment, primarily supplying the office equipment dealer network.				
14% Senior Subordinated Note due 2015		\$2,439,866	01/08/08	2,414,996
Common Stock (B)		660 shs.	01/08/08	329,990
				2,744,986
				2,787,302
<b>E X C Acquisition Corporation</b>				
A manufacturer of pre-filled syringes and pump systems used for intravenous drug delivery.				
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)		22 shs.	06/28/04	77,208
				26,449
<b>Eatem Holding Company</b>				

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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	2,551,613	2,877,612
Common Stock (B)	150 shs.	02/01/10	150,000	125,803
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	358 shs.	02/01/10	321,300	299,956
			3,022,913	3,303,371

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2012

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>ELT Holding Company</b>				
A provider of web-based ethics and compliance training solutions for companies in the United States.				
14% Senior Subordinated Note due 2019	\$ 2,759,639	03/01/12	\$ 2,708,132	\$ 2,806,434
Common Stock (B)	122 shs.	03/01/12	272,727	202,834
			2,980,859	3,009,268
<b>F C X Holdings Corporation</b>				
A distributor of specialty/technical valves, actuators, accessories, and process instrumentation supplying a number of industrial, high purity, and energy end markets in North America.				
15% Senior Subordinated Note due 2017		\$2,380,188 10/06/08	2,357,039	2,380,188
14% Senior Subordinated Note due 2017		\$644,928 03/02/12	633,456	677,175
Preferred Stock Series A (B)	441 shs.	*	44,100	63,426
Preferred Stock Series B (B)	4,341 shs.	10/06/08	434,074	624,333
Common Stock (B)	3,069 shs.	10/06/08	3,069	326,477
* 12/30/10 and 07/01/11.			3,471,738	4,071,599
<b>F F C Holding Corporation</b>				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
16% Senior Subordinated Note due 2017		\$2,668,407 09/27/10	2,630,185	2,695,091
Limited Liability Company Units Preferred (B)		512 uts. 09/27/10	460,976	530,914
Limited Liability Company Units (B)		512 uts. 09/27/10	51,220	375,470
			3,142,381	3,601,475
<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.				
14.25% Senior Subordinated Note due 2016		\$2,689,355 12/15/10	2,631,299	2,743,142
14.25% Senior Subordinated Note due 2016		\$668,864 02/29/12	669,077	688,930
Limited Liability Company Unit Class B-1 (B)		394,737 uts. 12/15/10	394,737	737,605
Limited Liability Company Unit Class B-2 (B)		49,488 uts. 12/15/10	49,488	92,473
Limited Liability Company Unit Class B-3 (B)		39,130 uts. 08/30/12	90,000	73,119
			3,834,601	4,335,269
<b>F H Equity LLC</b>				
A designer and manufacturer of a full line of automatic transmission filters and filtration systems for passenger vehicles.				
14% Senior Subordinated Note due 2017		\$3,110,024 12/20/10	3,006,805	3,110,024
Limited Liability Company Unit Class C (B)		9,449 uts. 12/20/10	96,056	75,302
			3,102,861	3,185,326
<b>Flutes, Inc.</b>				

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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 2013 (D)	\$918,385	04/13/06	908,339	367,354
14% Senior Subordinated Note due 2013 (D)	\$555,059	04/13/06	509,089	-
			1,417,428	367,354

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
 September 30, 2012  
 (Unaudited)

Babson Capital Corporate  
 Investors

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>G C Holdings</b>				
A leading manufacturer of gaming tickets, industrial recording charts, security-enabled point-of sale receipts, and medical charts and supplies.				
12.5% Senior Subordinated Note due 2017	\$ 3,000,000	10/19/10	\$ 2,838,230	\$ 3,060,000