

ENOVA SYSTEMS INC  
Form S-3  
February 02, 2012  
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As filed with the Securities and Exchange Commission on February 2, 2012

Registration No. 333-

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

**FORM S-3**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**ENOVA SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

**California**  
(State or other jurisdiction of

**95-3056150**  
(I.R.S. Employer

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incorporation or organization)

1560 West 190<sup>th</sup> Street

Torrance, CA 90501

(310) 527-2800

Identification Number)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael Staran

President and Chief Executive Officer

Enova Systems, Inc.

1560 West 190<sup>th</sup> Street

Torrance, CA 90501

(310) 527-2800

(Address, including zip code, and telephone number, including area code, of agent for service)

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*Copies to:*

**Donald C. Reinke, Esq.**

**Reed Smith LLP**

**101 Second Street, Suite 1800**

**San Francisco, California 94105-3659**

**(415) 543-8700**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>

**CALCULATION OF REGISTRATION FEE**

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Title of each class of securities to be registered	Amount to be registered <sup>(1)(2)</sup>	Proposed maximum offering price per share <sup>(3)</sup>	Proposed maximum aggregate offering price <sup>(3)</sup>	Amount of registration fee
Common stock, no par value	22,500,000	\$0.38	\$8,550,000	\$979.83

- (1) Consists of an aggregate of 11,250,000 shares of common stock and 11,250,000 shares of common stock that may be issued upon exercise of warrants, all of which were acquired by the selling shareholders in a private placement.
- (2) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the Securities Act), the shares being registered hereunder include such indeterminate number of shares of the Registrant's common stock as may be issuable with respect to the shares being registered hereunder to prevent dilution by reason of any stock dividend, stock split, recapitalization or other similar transaction.
- (3) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(c) under the Securities Act for the common stock outstanding. The proposed maximum offering price per share and proposed maximum aggregate offering price are based upon the average of the high \$0.40 and low \$0.35 sales prices of the Registrant's common stock on January 27, 2012, as reported on the NYSE Amex. The Registrant is not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete and may be changed. The selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell, and the selling shareholders are not soliciting offers to buy, these securities in any state where the offer or sale of these securities is not permitted.**

**SUBJECT TO COMPLETION, DATED FEBRUARY 2, 2012**

**PROSPECTUS**

**22,500,000 SHARES**

**ENOVA SYSTEMS, INC.**

**Common Stock**

This prospectus covers the sale or other disposition of up to 22,500,000 shares of our common stock, including 11,250,000 shares issuable upon exercise of warrants, by the selling shareholders identified in this prospectus. The selling shareholders may, from time to time, sell, transfer, or otherwise dispose of any or all of their shares of common stock or interests in shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

We are not offering any shares of our common stock for sale under this prospectus. We will not receive any of the proceeds from the sale or other disposition of the shares of our common stock by the selling shareholders, other than any proceeds from the cash exercise of warrants to purchase shares of our common stock.

Our common stock is quoted on the NYSE Amex under the symbol ENA. On February 1, 2012, the last reported sales price of our common stock, as reported on the NYSE Amex, was \$ 0.39 per share.

***Investing in our common stock involves certain risks. See Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010, our Quarterly Report on Form 10-Q for the period ended September 30, 2011, as well as our subsequently filed periodic and current reports, which have been filed with the Securities and Exchange Commission and are incorporated by reference into this prospectus. You should read the entire prospectus carefully before you make your investment decision.***

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission (the SEC) using a shelf registration or continuous offering process.

You should read this prospectus and the information and documents incorporated by reference carefully. Such documents contain important information you should consider when making your investment decision. See *Where You Can Find More Information* and *Incorporation of Certain Documents by Reference* in this prospectus.

You should rely only on the information provided in this prospectus or documents incorporated by reference into this prospectus. We have not, and the selling shareholders have not, authorized anyone to provide you with different information. This prospectus covers offers and sales of our common stock only in jurisdictions in which such offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus, or that the information contained in any document incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or any sale of a security.

In this prospectus, we refer to Enova Systems, Inc. as we, us, our, the Company or Enova. Reference to selling shareholders refers to those shareholders listed herein under *Selling Shareholders* and their successors, assignees, and permitted transferees.

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION**

Information in and incorporated by reference into this prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the safe harbor provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements often can be, but are not always, identified by the use of words such as assume, expect, intend, plan, project, believe, estimate, predict, anticipate, should, could, goal, potential and similar expressions. Such forward-looking statements, including, without limitation, those relating to the future business prospects, revenues and income of Enova, wherever they occur, are necessarily estimates reflecting the best judgment of our senior management on the date on which they were made, or if no date is stated, as of the date of this prospectus. Forward-looking statements are subject to risks, uncertainties and assumptions, including those described in the section entitled *Risk Factors* and elsewhere in the documents incorporated by reference into this prospectus, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, our Quarterly Report on Form 10-Q for the period ended September 30, 2011, and our subsequent SEC filings.

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any such forward-looking statements. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason. All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to herein. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus may not occur.

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**PROSPECTUS SUMMARY**

*The following is only a summary and therefore does not contain all of the information you should consider before investing in our common stock. We urge you to read this entire prospectus, including the matters discussed under Risk Factors in this prospectus and the more detailed consolidated financial statements, notes to the consolidated financial statements and other information incorporated by reference from our other filings with the SEC.*

**Our Company**

Enova believes it is a leader in the development, design and production of proprietary, power train systems and related components for electric and hybrid electric buses and medium and heavy duty commercial vehicles. Electric drive systems are comprised of an electric motor, an electronics control unit and a gear unit which power a vehicle. Hybrid electric systems, which are similar to pure electric drive systems, contain an internal combustion engine in addition to the electric motor, and may eliminate external recharging of the battery system. A hydrogen fuel cell based system is similar to a hybrid system, except that instead of an internal combustion engine, a fuel cell is utilized as the power source. A fuel cell is a system which combines hydrogen and oxygen in a chemical process to produce electricity.

A fundamental element of our strategy is to develop and produce advanced proprietary software and hardware for applications in these alternative power markets. Our focus is powertrain systems including digital power conversion, power management and system integration, focusing chiefly on vehicle power generation.

Specifically, we develop, design and produce drive systems and related components for electric, hybrid electric and fuel cell powered vehicles in both the new and retrofit markets. We also perform internal research and development and funded third party research and development to augment our product development and support our customers.

Our product development strategy is to design and introduce to market successively advanced products, each based on our core technical competencies. In each of our product/market segments, we provide products and services to leverage our core competencies in digital power management, power conversion and system integration. We believe that the underlying technical requirements shared among the market segments will allow us to more quickly transition from one emerging market to the next, with the goal of capturing early market share.

Our primary market focus centers on aligning ourselves with key customers and integrating with original equipment manufacturers in our target markets. We believe that alliances will result in the latest technology being implemented and customer requirements being met, with an optimized level of additional time and expense. As we penetrate new market areas, we are continually refining both our market strategy and our product line to maintain our leading edge in power management and conversion systems for vehicle applications.

The Company, previously known as U.S. Electricar, Inc., a California corporation, was incorporated on July 30, 1976. Our address is 1560 West 190<sup>th</sup> Street, Torrance, California 90501 and our telephone number is 310-527-2800. Our website address is [www.enovasystems.com](http://www.enovasystems.com). Information on our website is not incorporated by reference into this prospectus and does not constitute part of this prospectus.

**Recent Financing**

On December 30, 2011, the Company sold 11,250,000 shares of our common stock at \$0.15 per share for an aggregate purchase price of \$1,687,500, together with warrants to purchase up to 11,250,000 shares of common stock, to a total of seventeen investors. The warrants are subject to appropriate adjustment for stock splits, combinations, reclassifications and the like. The warrants are exercisable for a period of five years, with earlier termination in the case of certain extraordinary transactions and earlier call by the Company. The warrants are exercisable at the option of the holder at an exercise price of \$0.22 per share, which amount equals the volume weighted average price of our common stock for the twenty trading days immediately prior to the December 30, 2011 closing date. The warrants further provide that if, for a twenty consecutive trading day period, the average of the closing price quoted on the NYSE Amex is greater than or equal to \$0.44 per share, with at least an average of 10,000 shares traded per day, then, on the 10<sup>th</sup> calendar day following written notice from the Company, any outstanding warrants will be deemed automatically exercised pursuant to the cashless/net exercise provisions under the warrants.



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**The Offering**

Common stock outstanding:	42,765,223 shares <sup>(1)</sup>
Common stock offered by the selling shareholders:	22,500,000 shares <sup>(2)</sup>
Common stock outstanding after the offering	54,015,223 shares <sup>(3)</sup>
NYSE Amex symbol for common stock:	ENA
Alternative Investment Market	ENV and ENVS

(London Stock Exchange)

symbols for common stock:

Use of proceeds: We will not receive any of the proceeds from the sale or other disposition of the shares covered by this prospectus. We may receive proceeds upon the cash exercise of warrants, and we intend to use any such proceeds for working capital and general corporate purposes.

Risk factors: See Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010, our Quarterly Report on Form 10-Q for the period ended September 30, 2011, as well as our subsequently filed periodic and current reports, for a discussion of factors to consider before investing in shares of our common stock.

- (1) The number of shares shown to be outstanding is based on the number of shares of our common stock outstanding as of January 27, 2012, and does not include shares issuable upon exercise of warrants (including the shares of common stock underlying warrants registered hereunder), conversion of outstanding preferred stock, or reserved for issuance upon the exercise of options granted or available under our equity compensation plan.
- (2) The number of shares shown to be registered hereunder includes 11,250,000 shares of common stock outstanding and 11,250,000 shares of common stock issuable upon exercise of warrants. The number of shares being registered hereunder that are outstanding represents approximately 26% of the total numbers of shares of common stock outstanding. Assuming full cash exercise of the warrants for which underlying shares of common stock are being registered hereunder, the number of shares being registered hereunder represents approximately 42% of the total number of shares of common stock then outstanding. In each case, the number of shares outstanding does not include shares issuable upon conversion of outstanding preferred stock or reserved for issuance upon the exercise of options granted or available under our equity compensation plan.
- (3) The number of shares shown to be outstanding after the offering assumes full cash exercise by the selling shareholders of the 11,250,000 shares of common stock issuable upon exercise of warrants and being registered hereunder.

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**RISK FACTORS**

An investment in our common stock involves risks. Prior to making a decision about investing in our common stock, you should consider carefully the risks described below together with all of the other information contained or incorporated by reference in this prospectus and any prospectus supplement, including any additional specific risks described in the section entitled "Risk Factors" contained in any supplements to this prospectus and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, our Quarterly Report on Form 10-Q for the period ended September 30, 2011, as well as any amendments or additions thereto reflected in subsequent filings with the SEC. Each of these risk factors could materially and adversely affect our business, financial condition, results of operations, and liquidity.

*Sales of shares issued in our recent private placement may cause the market price of our shares to decline.*

On December 30, 2011, we issued 11,250,000 shares of common stock and warrants to purchase an additional 11,250,000 shares of common stock to investors. Pursuant to a registration rights agreement with those investors, we are registering with the SEC 22,500,000 of those shares and warrant shares for resale as described in this prospectus. The shares issued on December 30, 2011 represent approximately 42% of our issued and outstanding shares of common stock, assuming full cash exercise of the warrants. Upon the effectiveness of the registration statement of which this prospectus is a part, these shares may be freely sold in the open market. The sale of a significant amount of shares in the open market, or the perception that these sales may occur, could cause the trading price of our common stock to decline or become highly volatile.

**USE OF PROCEEDS**

We will not receive any of the proceeds from any such sale or other disposition of the common stock covered by this prospectus. We will receive cash proceeds upon the exercise of the warrants for which underlying shares are being registered hereunder. Assuming full cash exercise of such warrants at the exercise price of \$0.22 per warrant, we would receive proceeds of \$2,475,000. We currently intend to use the cash proceeds from any warrant exercise for working capital and general corporate purposes. The amount and timing of our actual use of proceeds may vary significantly depending upon numerous factors, including the actual amount of proceeds we receive and the timing of when we receive such proceeds. However, the warrants provide that if, for a twenty consecutive trading day period, the average of the closing price quoted on the NYSE Amex is greater than or equal to \$0.44 per share, with at least an average of 10,000 shares traded per day, then, on the 10th calendar day following written notice from the Company, any outstanding warrants will be deemed automatically exercised pursuant to the cashless net exercise provisions under the warrants. We will not receive any cash proceeds as a result of warrants that are deemed automatically exercised pursuant to such cashless net exercise provision.

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We have prepared this prospectus to allow the selling shareholders or their successors, assignees or other permitted transferees to sell or otherwise dispose of, from time to time, up to 22,500,000 shares of our common stock which they acquired pursuant to the Warrant and Common Stock Purchase Agreement dated December 30, 2011. The table below presents information regarding the selling shareholders and the shares of our common stock that they may sell or otherwise dispose of from time to time under this prospectus. The table is based on information supplied to us by the selling shareholders. Percentages of beneficial ownership are based upon 42,765,223 shares of common stock issued and outstanding as of January 27, 2012. Beneficial ownership is determined under Section 13(d) of the Exchange Act and generally includes voting or investment power with respect to securities and including any securities that grant the selling shareholder the right to acquire common stock within 60 days of January 27, 2012. We do not know when or in what amounts the selling shareholders may sell or otherwise dispose of the shares covered hereby. The selling shareholders might not sell any or all of the shares covered by this prospectus or may sell or dispose of some or all of the shares other than pursuant to this prospectus. Because the selling shareholders may not sell or otherwise dispose of some or all of the shares covered by this prospectus and because there are currently no agreements, arrangements or understandings with respect to the sale or other disposition of any of the shares, we cannot estimate the number of the shares that will be held by the selling shareholders after completion of the offering.

NAME OF SELLING SHAREHOLDERS	NUMBER OF SHARES BENEFICIALLY OWNED		SHARES BENEFICIALLY OWNED AFTER OFFERING <sup>(2)</sup>	
	BEFORE OFFERING <sup>(1)</sup>	COVERED HEREBY <sup>(1)</sup>	NUMBER	PERCENTAGE
Anthony B. Low-Beer <sup>(3)(4)(5)</sup>	4,000,000	4,000,000	0	0
Phylis M. Esposito	3,000,000	3,000,000	0	0
ALB Private Investments, LLC <sup>(4)(5)</sup>	2,000,000	2,000,000	0	0
Sander A. Flaum	1,500,000	1,500,000	0	0
Cynthia A. Kohn	1,500,000	1,500,000	0	0
Helen R. Esposito	1,000,000	1,000,000	0	0
Mireille Gousseland	1,000,000	1,000,000	0	0
John F. Kohn	1,000,000	1,000,000	0	0
David N. Low Jr.	1,000,000	1,000,000	0	0
Pat Ltd. <sup>(6)</sup>	1,000,000	1,000,000	0	0
Christopher G. Thunen <sup>(7)</sup>	1,000,000	1,000,000	0	0
Douglas Thunen	1,000,000	1,000,000	0	0
The Thunen Family Trust, dated October 4, 2005 <sup>(8)</sup>	1,000,000	1,000,000	0	0
The Viswanath Khaitan Revocable Trust dtd 12-9-02 <sup>(9)</sup>	1,000,000	1,000,000	0	0
Ryan P. McCormack	500,000	500,000	0	0
Kevin McCormack	500,000	500,000	0	0
Mechelle Plotkin	500,000	500,000	0	0

- (1) The number of shares for each selling shareholder consists of the aggregate of an equal number of shares of common stock outstanding and shares of common stock issuable upon cash exercise of presently exercisable warrants.
- (2) For purposes of this table, the Company assumes that all of the shares covered by this prospectus will be sold by the selling shareholders.
- (3) Mr. Low-Beer holds discretionary trading authority of all the shares registered hereunder, except for the shares owned by ALB Private Investments, LLC of which he is the beneficial owner and, as such may be deemed to be a beneficial owner of all 22,500,000 shares. Mr. Low-Beer disclaims beneficial ownership of these shares except to the extent of his pecuniary interest thereof. The 4,000,000 shares covered hereby attributable to Mr. Low-Beer reflect the shares he holds and is offering solely for his own account.
- (4) Mr. Low-Beer and ALB Private Investments, LLC are affiliates of a broker-dealer. Each of Mr. Low-Beer and ALB Private Investments, LLC have represented to the Company that they purchased their shares of common stock in the ordinary course of business and, at the time of such purchase, had no agreements or understandings, directly or indirectly, with any person to distribute such shares of common stock.
- (5) Mr. Low-Beer is the sole beneficial owner of ALB Private Investments, LLC. Mr. Francis A. Mlynarczyk, Jr. is Manager of ALB Investments, LLC. Mr. Mlynarczyk holds sole voting and investment discretion with respect to the shares beneficially owned by ALB Private Investments, LLC.



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- (6) John N. Hatsopoulos is President of Pat Ltd.
- (7) Mr. Thunen is an affiliate of a broker-dealer. He has represented to the Company that he purchased his shares of common stock in the ordinary course of business and, at the time of such purchase, had no agreements or understandings, directly or indirectly, with any person to distribute such shares of common stock.
- (8) Garret Thunen and Carol Thunen are trustees of The Thunen Family Trust, dated October 4, 2005.
- (9) Mona Khaitan and Viswanath Kaitain are trustees of the Viswanath Khaitan Revocable Trust dtd 12-9-02.

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**PLAN OF DISTRIBUTION**

The selling shareholders may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of common stock or interests in shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling shareholders may use anyone or more of the following methods when disposing of shares or interests therein:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;

purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

short sales effected after the date the registration statement of which this prospectus is a part is declared effective by the SEC;

through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;

broker-dealers may agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share; and

a combination of any such methods of sale.

The aggregate proceeds to the selling shareholders from the sale of the common stock offered by them will be the purchase price of the common stock less discounts or commissions, if any. Each of the selling shareholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from this offering.

The selling shareholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided that they meet the criteria and conform to the requirements of that rule.

The selling shareholders and any underwriters, broker-dealers or agents that participate in the sale of the common stock or interests therein may be underwriters within the meaning of Section 2(a)(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be underwriting discounts and commissions under the Securities Act. Selling shareholders who are underwriters within the meaning of Section 2(a)(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act.

To the extent required, the shares of our common stock to be sold, the names of the selling shareholders, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that

includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

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We have advised the selling shareholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling shareholders and their affiliates. In addition, to the extent applicable we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling shareholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling shareholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

We have agreed to indemnify the selling shareholders against liabilities, including liabilities under the Securities Act and state securities laws, relating to the registration of the shares offered by this prospectus.



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**EXPERTS**

The consolidated financial statements of Enova Systems, Inc. as of December 31, 2010 and 2009 have been incorporated by reference herein in reliance upon the report of PMB Helin Donovan, LLP, independent registered public accounting firm, given upon the authority of that firm as experts in accounting and auditing.

**LEGAL MATTERS**

The validity of our common stock offered hereby will be passed upon for us by Reed Smith LLP, San Francisco, California.

**WHERE YOU CAN FIND MORE INFORMATION**

We electronically file annual, quarterly and special reports, proxy and information statements and other information with the SEC. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is <http://www.sec.gov>. Our website address is [www.enovasystems.com](http://www.enovasystems.com). Information contained in, or accessible through, our website is not a part of this prospectus.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any filings that we will make with the SEC (other than current reports furnished under Item 2.02 or Item 7.01 of Form 8-K and exhibits filed on such form that are related to such items) under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the initial filing date of the registration statement of which this prospectus forms a part and prior to the termination of this offering:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed on March 30, 2011;

Our Quarterly Reports on Form 10-Q for the fiscal quarter ended March 31, 2011 filed on May 12, 2011, for the fiscal quarter ended June 30, 2011 filed on August 15, 2011, and for the fiscal quarter ended September 30, 2011 filed on November 10, 2011;

Our Current Reports on Form 8-K filed on January 20, 2011, June 21, 2011, December 19, 2011, December 23, 2011, January 6, 2012, and January 26, 2012; and

The description of our common stock included in our registration statement on Form 8-A filed with the SEC on August 28, 2006. We will provide without charge upon written or oral request, to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the documents incorporated by reference, including exhibits to these documents. You should direct any requests for documents to:

Chief Financial Officer

Enova Systems, Inc.

1560 West 190<sup>th</sup> Street

Torrance, CA 90501



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The following table lists the costs and expenses payable by the registrant in connection with the sale of the securities covered by this prospectus other than any sales commissions or discounts, which expenses will be paid by the selling shareholders. All amounts shown are estimates except for the SEC registration fee.

SEC registration fee	\$ 980
Legal fees and expenses	\$ 25,000
Accounting fees and expenses	\$ 15,000
Miscellaneous fees and expenses	\$ 5,000
Total	\$ 45,980

**Item 15. Indemnification of Directors and Officers**

Sections 204(a)(10), 204(a)(11), 204.5 and 317 of the California General Corporation Law ( CGCL ) permit a corporation to indemnify its directors, officers, employees and other agents in terms sufficiently broad to permit indemnification (including reimbursement for expenses) under certain circumstances for liabilities arising under the Securities Act. Our Articles of Incorporation provide that the liability of directors for monetary damages shall be eliminated to the fullest extent permitted under California law. In addition, our Articles of Incorporation provide that we are authorized to provide indemnification of agents through bylaw provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Section 317 of the CGCL, subject only to the applicable limits set forth in Section 204 of the CGCL.

Our Bylaws provide that we may indemnify any person who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person was an agent of the Company, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding. We may advance expenses incurred in defending any proceeding prior to the final disposition of such proceeding.

The above discussion of the CGCL and our Articles of Incorporation and Bylaws is not intended to be exhaustive and is qualified in its entirety by such statutes, Articles of Incorporation and Bylaws.

Indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons under the foregoing provisions, or otherwise. We have been advised that in the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

**Item 16. Exhibits**

Number	Exhibit
4.1	Warrant and Common Stock Purchase Agreement dated December 15, 2011 (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K filed December 19, 2011)
4.2	Form of Warrant (incorporated by reference to Exhibit 99.2 of our Current Report on Form 8-K filed December 19, 2011)
4.3	Form of Registration Rights Agreement dated December 2011 (incorporated by reference to Exhibit 99.3 of our Current Report on Form 8-K filed December 19, 2011)
5.1	Opinion of Reed Smith LLP
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Reed Smith LLP (included in their opinion filed as Exhibit 5.1)

24 Power of Attorney (included in signature page hereto)

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**Table of Contents****Item 17. Undertakings**

The undersigned registrant hereby undertakes:

To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

&nbtd align="left" valign="bottom" width="88%" style="PADDING-BOTTOM: 2px">

Net cash provided by operating activities	14,291,178
Cash flows from financing activities:	
Cash dividends paid from net investment income	(14,319,136)
Receipts for shares issued on reinvestment of dividends	1,528,178
Net cash used for financing activities	(12,790,958)
Net increase in cash	1,500,220
Cash - beginning of year	6,800,835
Cash - end of period	\$8,301,055
Reconciliation of net increase in net assets to net cash provided by operating activities:	
Net increase in net assets resulting from operations	\$13,063,490
Increase in investments	(3,689,683)
Decrease in interest receivable	81,087
Increase in receivable for investments sold	(710,794)
Decrease in other assets	105,642
Increase in payable for investments purchased	5,747,620
Increase in investment advisory fee payable	27,669
Decrease in deferred tax liability	(325,353)
Increase in interest payable	295
Decrease in accrued expenses	(8,795)
Total adjustments to net assets from operations	1,227,688

Net cash provided by operating activities

\$14,291,178

See Notes to Consolidated Financial Statements

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## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the six months ended 06/30/2012 (Unaudited)	For the year ended 12/31/2011
Increase in net assets:		
Operations:		
Investment income - net	\$11,967,029	\$24,417,226
Net realized gain on investments after taxes	4,151,770	848,378
Net change in unrealized depreciation of investments after taxes	(3,055,309 )	2,341,410
Net increase in net assets resulting from operations	13,063,490	27,607,014
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2012 - 97,324; 2011 - 156,934)	1,528,178	2,426,607
Dividends to shareholders from:		
Net investment income (2012 - \$0.30 per share; 2011 - \$1.34 per share)	(5,737,541 )	(25,488,812 )
Net realized gains (2012 - \$0.00; 2011 - \$0.01 per share)	-	(186,150 )
Total increase in net assets	8,854,127	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 \$9,100,500 and \$2,871,012, respectively)	\$250,797,661	\$241,943,534

See Notes to Consolidated Financial Statements

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## CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Babson Capital Corporate Investors

Selected data for each share of beneficial interest outstanding:

	For the six months ended 06/30/2012 (Unaudited)(a)		For the years ended December 31,			
	2011(a)	2010(a)	2009(a)	2008(a)	2007(a)	
Net asset value:						
Beginning of year	\$ 12.69	\$ 12.56	\$ 11.45	\$ 11.17	\$ 13.60	\$ 13.76
Net investment income (b)	0.63	1.29	1.13	1.03	1.16	1.28
Net realized and unrealized gain (loss) on investments	0.06	0.17	1.06	0.33	(2.51 )	(0.17 )
Total from investment operations	0.69	1.46	2.19	1.36	(1.35 )	1.11
Dividends from net investment income to common shareholders	(0.30 )	(1.34 )	(1.08 )	(1.08 )	(1.08 )	(1.29 )
Dividends from net investment income to common shareholders	-	(0.01 )	-	-	-	-
Increase from dividends reinvested	0.00 (c)	0.02	0.00 (c)	0.00 (c)	0.00 (c)	0.02
Total dividends	(0.30 )	(1.33 )	(1.08 )	(1.08 )	(1.08 )	(1.27 )
Net asset value: End of period/year	\$ 13.08	\$ 12.69	\$ 12.56	\$ 11.45	\$ 11.17	\$ 13.60
Per share market value:						
End of period/year	\$ 15.33	\$ 17.99	\$ 15.28	\$ 12.55	\$ 9.63	\$ 15.10
Total investment return						
Net asset value (d)	5.46 %	12.00 %	19.81 %	12.64 %	(10.34 %)	8.72 %
Market value (d)	(12.98 %)	27.92 %	31.73 %	39.89 %	(30.44 %)	(8.78 %)
Net assets (in millions):						
End of period/year	\$ 250.80	\$ 241.94	\$ 237.58	\$ 214.44	\$ 208.14	\$ 251.16
Ratio of operating expenses to average net assets	1.65 %(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	2.29	%(f)	2.42	%	2.57	%	2.33	%	2.16	%	2.49	%
Ratio of net investment income to average net assets	9.74	%(f)	9.91	%	9.46	%	9.06	%	9.01	%	9.17	%
Portfolio turnover	15	%	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	\$9,360	\$9,065	\$8,919	\$8,148	\$7,938	\$9,372

See Notes to Consolidated Financial Statements

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 95.61%: (A)				
Private Placement Investments - 90.52%				
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	\$ 229,402
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	161,538 shs.	11/10/09	119,991 443,068	114,701 344,103
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	\$ 2,673,890	11/21/07	2,644,497	2,673,890
Limited Partnership Interest (B)	23.16% int.	11/21/07	224,795 2,869,292	288,739 2,962,629
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	577,892
Limited Liability Company Unit Class A-3 (B)	1,149 uts.	12/31/08	126,365 266,771	520,103 1,097,995
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	2,075,126
Limited Liability Company Unit Class A (B)	4,128 uts.		*	405,691
Limited Liability Company Unit Class B (B)	2,782 uts.		10/09/09	273,352
* 10/09/09 and 10/27/10.				2,754,169
				3,089,460
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

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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	661,500
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	1,188,985
Convertible Preferred Stock Series B (B)	52 shs.	01/04/11	40,800	60,557
			550,800	1,249,542

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

Babson Capital Corporate Investors

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
Aero Holdings, Inc. A provider of geospatial services to corporate and government clients.				
10.5% Senior Secured Term Note due 2014	\$ 813,750	03/09/07	\$ 809,928	\$ 813,750
14% Senior Subordinated Note due 2015	\$ 1,260,000	03/09/07	1,193,646	1,260,000
Common Stock (B)	262,500 shs.	03/09/07	262,500	656,392
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	66,116 shs.	03/09/07	111,527	165,326
			2,377,601	2,895,468
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	1,079,146	1,140,317
Common Stock (B)	1,347 shs.	09/26/08	134,683	157,392
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	958 shs.	09/26/08	87,993	111,938
			1,301,822	1,409,647
American Hospice Management Holding LLC A for-profit hospice care provider in the United States.				
12% Senior Subordinated Note due 2013	\$ 3,187,495	*	3,137,898	3,187,495
Preferred Class A Unit (B)	3,223 uts.	**	322,300	622,367
Preferred Class B Unit (B)	1,526 uts.	06/09/08	152,626	279,355
Common Class B Unit (B)	30,420 uts.	01/22/04	1	-
Common Class D Unit (B)	6,980 uts.	09/12/06	1	-
			3,612,826	4,089,217
* 01/22/04 and 06/09/08. ** 01/22/04 and 09/12/06.				

Apex Analytix Holding Corporation

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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	1,728,489	1,912,500
Preferred Stock Series B (B)	3,065 shs.	04/28/09	306,507	223,974
Common Stock (B)	1,366 shs.	04/28/09	1,366	99,823
			2,036,362	2,236,297

Arch Global Precision LLC

A leading manufacturer of high tolerance precision components and consumable tools.

14.75% Senior Subordinated Note due 2018	\$ 2,282,601	12/21/11	2,225,791	2,357,888
Limited Liability Company Unit Class B (B)	85 uts.	12/21/11	85,250	70,264
Limited Liability Company Unit Class C (B)	665 uts.	12/21/11	664,750	547,891
			2,975,791	2,976,043

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

(CONTINUED)

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
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)				
	\$ 750,857	09/30/10	736,420	756,061
13% Senior Subordinated Note due 2017				
	\$ 853,714	09/30/10	776,412	862,251
Limited Liability Company Unit Class B (B)				
	92,571 uts.	09/30/10	92,571	128,300
Limited Liability Company Unit Class B (B)				
	70,765 uts.	09/30/10	70,765	98,078
			1,676,168	1,844,690
Baby Jogger Holdings LLC				
A designer and marketer of premium baby strollers and stroller accessories.				
14% Senior Subordinated Note due 2019				
	\$ 2,784,655	04/20/12	2,730,140	2,793,140
Common Stock (B)				
	2,261 shs.	04/20/12	226,132	214,825
			2,956,272	3,007,965
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.				

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13.5% Senior Subordinated Note due 2016	\$ 1,950,221	07/27/10	1,876,690	1,989,225
Preferred Stock (B)	39 shs.	07/27/10	394,487	394,500
Common Stock Class A (B)	131 shs.	07/27/10	1,310	225,649
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	23 shs.	07/27/10	227 2,272,714	39,135 2,648,509
<b>Bravo Sports Holding Corporation</b>				
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	2,232,317	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 2,592,826	- 570,398

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
June 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	\$ 375,436	08/07/08	\$ 372,272	\$ 375,436
12.5% Senior Subordinated Note due 2015	\$ 750,872	08/07/08	709,797	750,872
Common Stock (B)	73,256 shs.	08/07/08	73,256	65,079
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	57,600 shs.	08/07/08	57,689	51,170
			1,213,014	1,242,557
<b>Capital Specialty Plastics, Inc.</b>				
A producer of desiccant strips used for packaging pharmaceutical products.				
Common Stock (B)	109 shs.	*	503	879,134
*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		\$2,184,958	01/19/11	2,072,514
Common Stock (B)		1,125 shs.	01/19/11	112,500
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)		884 shs.	01/19/11	87,750
			2,272,764	2,389,395
<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		\$ 1,206,267	03/26/12	1,166,245
Common Stock (B)		3,981 shs.	*	398,100
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)		172 shs.	03/26/12	17,220
			1,581,565	1,548,456
*03/26/12, 5/25/12 and 06/19/12.				
<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
				443,703



Coeur, Inc.

A producer of proprietary, disposable power injection syringes.

12% Senior Subordinated Note due 2016	\$1,214,286	10/10/08	1,137,464	1,214,286
Common Stock (B)	607 shs.	10/10/08	60,714	84,772
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	934 shs.	10/10/08	91,071	130,420
			1,289,249	1,429,478

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

(CONTINUED)

June 30, 2012

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Connecticut Electric, Inc. A supplier and distributor of electrical products sold into the retail and wholesale markets.				
10% Senior Subordinated Note due 2014 (D) Limited Liability Company	\$ 1,456,429	01/12/07	\$ 1,358,675	\$ 1,310,786
Unit Class A (B) Limited Liability Company	156,046 uts.	01/12/07	156,046	21,647
Unit Class C (B) Limited Liability Company	112,873 uts.	01/12/07	112,873	15,658
Unit Class D (B) Limited Liability Company	1,268,437 uts.	05/03/10	-	175,963
Unit Class E (B)	2,081 uts.	05/03/10	-	289
			1,627,594	1,524,343
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	1,715,247
Preferred Stock Series C (B)	8,986 shs.	07/05/07	300,168	898,560
Common Stock (B)	718 shs.	07/05/07	7	56
Limited Partnership Interest (B)	12.64% int.	*	189,586	-
*08/12/04 and 01/14/05.			1,190,153	2,613,863
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	815,919
Crane Rental Corporation A crane rental company since 1960, headquartered in Florida. 13% Senior Subordinated Note due 2015				
	\$ 2,295,000	08/21/08	2,155,682	2,232,710
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 2,605,508	- 2,232,710
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.				
12.5% Senior Subordinated Note due 2016	\$ 2,182,212	10/27/09	1,969,223	2,178,611
Preferred Stock PIK (B)	296 shs.	10/27/09	295,550	91,590
Preferred Stock Series A (B)	216 shs.	10/27/09	197,152	66,919
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 2,582,771	- 2,337,120

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

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
DPC Holdings LLC				
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 2017				
	\$ 2,703,875	10/21/11	\$ 2,654,802	\$ 2,729,058
Limited Liability Company				
Unit Class A (B)				
	33,333 uts.	10/21/11	333,333	267,187
			2,988,135	2,996,245
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				
	\$ 2,462,181	05/04/12	2,413,763	2,465,404
Preferred Stock (B)				
	49 shs.	05/04/12	490,910	466,381
Common Stock (B)				
	49 shs.	05/04/12	54,546	51,820
			2,959,219	2,983,605
Duncan Systems, Inc.				
A distributor of windshields and side glass for the recreational vehicle market.				
10% Senior Secured Term Note due 2013				
	\$ 270,000	11/01/06	268,996	268,204
13% Senior Subordinated Note due 2014				
	\$ 855,000	11/01/06	814,682	843,513
Common Stock (B)				
	180,000 shs.	11/01/06	180,000	11,177
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)				
	56,514 shs.	11/01/06	78,160	3,509
			1,341,838	1,126,403
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				
	\$ 2,427,728	01/08/08	2,401,359	2,427,728
Common Stock (B)				
	660 shs.	01/08/08	329,990	385,847
			2,731,349	2,813,575

E X C Acquisition Corporation

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	19,704
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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	2,542,641	2,836,443
Common Stock (B)	150 shs.	02/01/10	150,000	113,375
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	358 shs.	02/01/10	321,300	270,325
			3,013,941	3,220,143

## CONSOLIDATED SCHEDULE OF INVESTMENTS

(CONTINUED)

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
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	\$ 2,745,606	03/01/12	\$ 2,692,643	\$ 2,749,144
Common Stock (B)	122 shs.	03/01/12	272,727	208,217
			2,965,370	2,957,361
F C X Holdings Corporation 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	\$ 2,362,470	10/06/08	2,337,836	2,362,470
14% Senior Subordinated Note due 2017	\$ 641,720	03/02/12	629,592	641,932
Preferred Stock Series A (B)	441 shs.	*	44,100	46,391
Preferred Stock Series B (B)	4,341 shs.	10/06/08	434,074	456,656
Common Stock (B)	3,069 shs.	10/06/08	3,069	-
* 12/30/10 and 07/01/11.			3,448,671	3,507,449
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	\$ 2,645,261	09/27/10	2,605,138	2,698,166
Limited Liability Company Units Preferred (B)	512 uts.	09/27/10	460,976	520,390
Limited Liability Company Units (B)	512 uts.	09/27/10	51,220	16,378
			3,117,334	3,234,934
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.				
14.25% Senior Subordinated Note due 2016	\$ 2,677,381	12/15/10	2,616,637	2,730,929
14.25% Senior Subordinated Note due 2016	\$ 665,040	02/29/12	665,140	684,991
Limited Liability Company Unit Class B-1 (B)	394,737 uts.	12/15/10	394,737	680,718
	49,488 uts.	12/15/10	49,488	85,341

Limited Liability Company Unit  
Class B-2 (B)

3,726,002 4,181,979

F H Equity LLC

A designer and manufacturer of a full line of automatic transmission filters and filtration systems for passenger vehicles.

14% Senior Subordinated Note due  
2017

\$ 3,094,209 12/20/10 2,987,772 3,200,266

Limited Liability Company Unit  
Class C (B)

9,449 uts. 12/20/10 96,056 81,965  
3,083,828 3,282,231

Flutes, Inc.

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)

Babson Capital Corporate  
InvestorsJune 30, 2012  
(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
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	\$ 2,832,425	\$ 3,060,000
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	594 shs.	10/19/10	140,875 2,973,300	201,564 3,261,564
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	171,275
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	171,275



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	1,287,578	1,419,340
Common Stock (B)	115 shs.	11/14/11	115,385	93,489
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	83 shs.	11/14/11	76,788 1,479,751	66,931 1,579,760

Healthcare Direct Holding

Company

A direct-to-consumer marketer of discount dental plans.

14% Senior Subordinated Note due 2019	\$ 2,108,109	03/09/12	2,067,350	2,116,287
Common Stock (B)	1,552 shs.	03/09/12	155,172 2,222,522	132,297 2,248,584

## CONSOLIDATED SCHEDULE OF INVESTMENTS

(CONTINUED)

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
HGGC Citadel Plastics Holdings				
A world-leading source for thermoset and thermoplastic compounds.				
14% Senior Subordinated Note due 2019	\$2,715,865	02/29/12	\$2,663,497	\$2,719,361
Common Stock (B)	302 shs.	02/29/12	302,419	239,904
			2,965,916	2,959,265
Home Décor Holding Company				
A designer, manufacturer and marketer of framed art and wall décor products.				
Common Stock (B)	63 shs.	*	62,742	138,471
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)	200 shs.	*	199,501	440,308
* 06/30/04 and 08/19/04.			262,243	578,779
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.				
14% Senior Subordinated Note due 2016	\$2,963,853	08/19/08	2,833,331	2,815,660
Common Stock (B)	474 shs.	08/19/08	474,419	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	123 shs.	08/19/08	113,773	-
			3,421,523	2,815,660
Ideal Tridon Holdings, Inc.				
A designer and manufacturer of clamps and couplings used in automotive and industrial end markets.				
13.5% Senior Subordinated Note due 2018	\$2,749,542	10/27/11	2,698,562	2,782,207
Common Stock (B)	279 shs.	10/27/11	278,561	268,856
			2,977,123	3,051,063
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	459,074

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	1,275,000
Limited Liability Company Unit (B)	3,112 uts.	07/07/09	186,684	-
			2,522,115	1,275,000

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

Babson Capital Corporate  
InvestorsJune 30, 2012  
(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
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	\$ 2,183,266	\$ 2,295,590
Preferred Stock A (B)	495 shs.	12/20/10	495,000	102,026
Preferred Stock B (B)	0.17 shs.	12/20/10	-	34
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	-
			3,000,197	2,397,650
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
K & N Parent, Inc. A manufacturer and supplier of automotive aftermarket performance air filters and intake systems.				
14% Senior Subordinated Note due 2017				
	\$ 2,608,696	12/23/11	2,558,878	2,644,205
Preferred Stock Series A (B)	305 shs.	12/23/11	289,733	284,580
Preferred Stock Series B (B)	86 shs.	12/23/11	82,006	80,546
Common Stock (B)	391 shs.	12/23/11	19,565	-
			2,950,182	3,009,331
K N B Holdings Corporation A designer, manufacturer and marketer of products for the custom framing market.				
15% Senior Subordinated Note due 2017				
	\$ 4,447,360	04/12/11	4,119,189	4,447,360
Common Stock (B)	134,210 shs.	05/25/06	134,210	60,923
Warrant, exercisable until 2013, to purchase	82,357 shs.	05/25/06	71,534	37,385

common stock at \$.01 per  
share (B)

4,324,933            4,545,668

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.

15% Senior Subordinated Note due 2017	\$ 2,711,801	12/10/10	2,666,721	2,735,874
Common Stock (B)	698,478 shs.	12/10/10	698,478	509,533
			3,365,199	3,245,407

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

(CONTINUED)

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities:				
(A) (Continued)				
K P I Holdings, Inc.				
The largest player in the U.S. non-automotive, non-ferrous die casting segment.				
6% Senior Subordinated Note due 2015	\$ 2,619,885	07/16/08	\$ 2,483,154	\$ 2,488,891
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	-
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	96 shs.	07/16/08	96,024	-
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	128 shs.	09/17/09	-	-
			3,102,567	2,672,301
K W P I Holdings Corporation				
A manufacturer and distributor of vinyl windows and patio doors throughout the northwestern United States.				
12% Senior Subordinated Note due 2015 (D)	\$ 3,162,920	03/14/07	2,878,056	1,581,460
Preferred Stock PIK (B)	1,499 shs.	02/07/11	579,500	-
Common Stock (B)	232 shs.	03/13/07	232,000	-
Warrant, exercisable until 2019, to purchase preferred stock at \$.01 per share (B)	134 shs.	07/07/09	-	-
Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)	167 shs.	03/14/07	162,260	-
			3,851,816	1,581,460
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		\$ 2,742,871	08/15/11	2,693,555
				2,822,391

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Common Stock (B)	283 shs.	08/15/11	283,019	224,558
			2,976,574	3,046,949

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	98,798
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	66 shs.	09/12/08	65,571	106,707
			126,285	205,505

Mail Communications Group, Inc.

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

Limited Liability Company Unit (B)	24,109			
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	uts.	*	314,464	402,704
	3,375			
	shs.	05/04/07	43,031	56,374
* 05/04/07 and 01/02/08.			357,495	459,078

## CONSOLIDATED SCHEDULE OF INVESTMENTS

(CONTINUED)

June 30, 2012

(Unaudited)

## Babson Capital Corporate Investors

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
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	\$ 1,130,475	\$ 1,259,914
15% Senior Subordinated Note due 2018	\$ 320,850	10/05/10	315,472	318,120
Common Stock (B)	106 shs.	10/05/10	106,200	159,463
Common Stock Class B (B)	353 shs.	01/15/10	352,941	529,951
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	312 shs.	01/15/10	283,738	469,003
			2,188,826	2,736,451
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	\$ 1,330,293	09/20/11	1,305,895	1,352,743
Limited Liability Company Unit Class A (B)	8,700 uts.	09/20/11	180,000	109,058
Limited Liability Company Unit Class D (B)	874 uts.	09/20/11	-	10,960
			1,485,895	1,472,761
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	*	3,094,756	3,419,536
Preferred Stock Series A (B)	4,164 shs.	09/07/10	416,392	1,527,208
Common Stock (B)	487 shs.	03/01/11	48,677	178,614
Common Stock (B)	458 shs.	09/07/10	45,845	167,978
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	310 shs.	03/01/11	30,975	113,697
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	1,158 shs.	09/07/10	115,870	424,713
* 09/07/10 and 03/01/11.			3,752,515	5,831,746
MedSystems Holdings LLC				
A manufacturer of enteral feeding products, such as feeding tubes and other products related to assisted feeding.				
	\$ 1,193,059	08/29/08	1,106,113	1,193,059



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13% Senior Subordinated Note due  
2015

Preferred Unit (B)	126 uts.	08/29/08	125,519	163,764
Common Unit Class A (B)	1,268 uts.	08/29/08	1,268	-
Common Unit Class B (B)	472 uts.	08/29/08	120,064	-
			1,352,964	1,356,823

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
MEGTEC Holdings, Inc.				
A supplier of industrial and environmental products and services to a broad array of industries.				
Preferred Stock (B)	107 shs. 1.40%	09/24/08	\$ 103,255	\$ 146,156
Limited Partnership Interest (B)	int.	09/16/08	388,983	461,223
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	35 shs.	09/24/08	33,268	29,747
			525,506	637,126
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	\$ 1,103,774	09/22/11	1,083,388	1,122,911
Limited Liability Company Unit Series B (B)	396,226 uts.	09/22/11	396,226	244,785
			1,479,614	1,367,696
MicroGroup, Inc.				
A manufacturer of precision parts and assemblies, and a value-added supplier of metal tubing and bars.				
12% Senior Subordinated Note due 2013 (D)	\$ 2,685,614	*	2,577,220	671,403
Common Stock (B)	450 shs.	*	450,000	-
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)	164 shs.	*	162,974	-
* 08/12/05 and 09/11/06.			3,190,194	671,403
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	\$ 2,796,191	11/30/10	2,752,234	2,852,115
Limited Liability Company Unit Class B-1 (B)	281,250 uts.	11/30/10	-	276,035
Limited Liability Company Unit Class B-2 (B)	25,504 uts.	11/30/10	-	25,031

			2,752,234	3,153,181
NABCO, Inc.				
A producer of explosive containment vessels in the United States.				
14% Senior Subordinated Note due 2014 (D)	\$625,000	02/24/06	578,174	156,250
Limited Liability Company Unit (B)	825 uts.	*	825,410	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	129 shs.	02/24/06	37,188	-
* 02/24/06 and 06/22/07.			1,440,772	156,250

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

Babson Capital Corporate Investors

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
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	\$2,014,718	02/02/07	\$1,835,540	\$1,611,774
Limited Partnership Interest of Saw Mill PCG Partners LLC (B)	2.73% int.	02/01/07	1,110,810	-
Limited Liability Company Unit Class D of Saw Mill PCG Partners LLC (B)	17 uts.	*	16,759	-
Limited Liability Company Unit Class D-1 of Saw Mill PCG Partners LLC (B)	229 uts.	09/30/09	228,858	-
Limited Liability Company Unit Class D-2 of Saw Mill PCG Partners LLC (B)	128 uts.	04/29/11	65,256	-
* 12/18/08 and 09/30/09.			3,257,223	1,611,774
Newark Group, Inc.				
A major producer of paper products from recycled materials.				
Common Stock (B)	134,520 shs.	09/02/10	796,863	259,422
Nicoat Acquisitions LLC				
A manufacturer of water-based and ultraviolet coatings for high-performance graphic arts, packaging and other specialty coating applications.				
12.5% Senior Subordinated Note due 2016	\$ 1,448,276	11/05/10	1,338,729	1,473,465
Limited Liability Company Unit Series B (B)	51,724 uts.	11/05/10	51,724	57,894
Limited Liability Company Unit Series B (B)	104,792 uts.	11/05/10	104,792	117,292
Limited Liability Company Unit Series F (B)	156,516 uts.	11/05/10	-	145,287
			1,495,245	1,793,938
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	*	2,419,715	2,796,387
Limited Partnership Interest (B)	3,287 uts.	*	328,679	64,411
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	4,920 shs.	*	492,016	96,420
* 07/09/09 and 08/09/10.			3,240,410	2,957,218

NT Holding Company

A leading developer, manufacturer and provider of medical products used primarily in interventional pain management.

12% Senior Subordinated Note due 2019	\$2,649,351	02/02/11	2,460,775	2,702,338
Common Stock (B)	377 shs.	*	377,399	265,466
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	176 shs.	02/02/11	158,961	123,983
*02/02/11 and 06/30/11.			2,997,135	3,091,787

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2012

(Unaudited)

		Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)					
Nyloncraft, Inc.					
A supplier of engineered plastic components for the automotive industry.					
Preferred Stock Series B (B)	1,000 shs.		05/15/12	\$ -	\$ 458
Common Stock (B)	312,500 shs.		01/28/02	312,500	424,316
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	243,223 shs.		01/28/02	162,045 474,545	330,251 755,025
O E C Holding Corporation					
A provider of elevator maintenance, repair and modernization services.					
13% Senior Subordinated Note due 2017	\$ 1,333,333		06/04/10	1,236,678	1,333,333
Preferred Stock Series A (B)	1,661 shs.		06/04/10	166,062	72,560
Preferred Stock Series B (B)	934 shs.		06/04/10	93,376	40,800
Common Stock (B)	1,032 shs.		06/04/10	1,032 1,497,148	- 1,446,693
Ontario Drive & Gear Ltd.					
A manufacturer of all-wheel drive, off-road amphibious vehicles and related accessories.					
Limited Liability Company Unit (B)	3,667 uts.		01/17/06	572,115	1,568,284
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	619 shs.		01/17/06	170,801 742,916	264,782 1,833,066
P K C Holding Corporation					
A manufacturer of plastic film and badges for the general industrial, medical, and food industries.					
14% Senior Subordinated Note due 2016	\$ 3,023,155		12/21/10	2,966,055	3,079,431
Preferred Stock Class A (B)	54 shs.		12/21/10	340,718	473,988
Common Stock (B)	54 shs.		12/21/10	25,500 3,332,273	- 3,553,419

## P P T Holdings LLC

A high-end packaging solutions provider that targets customers who have multiple packaging needs, require a high number of low volume SKUs, short lead times, technical expertise, and overall supply chain management.

15% Senior Subordinated Note due 2017	\$ 2,805,330	12/20/10	2,759,503	2,790,835
Limited Liability Company Unit Class A (B)	99 uts.	12/20/10	318,215	186,225
Limited Liability Company Unit Class B (B)	99 uts.	12/20/10	3,214	186,225
			3,080,932	3,163,285

## Pacific Consolidated Holdings LLC

A manufacturer of rugged, mobile liquid and gaseous oxygen and nitrogen generating systems used in the global defense, oil and gas, and medical sectors.

14% Senior Subordinated Note due 2012 (D)	\$ 1,393,591	04/27/07	1,359,161	487,757
5% Senior Subordinated Note due 2012	\$ 79,688	07/21/10	79,688	79,688
Preferred Shares Series E (B)	79,688 uts.	07/21/10	-	-
Limited Liability Company Unit (B)	1,754,707 uts.	04/27/07	63,233	-
			1,502,082	567,445

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

Babson Capital Corporate Investors

June 30, 2012

(Unaudited)

		Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)					
Paradigm Packaging, Inc.					
A manufacturer of plastic bottles and closures for the nutritional, pharmaceutical, personal care, and food packaging markets.					
12% Senior Subordinated Note due 2015	\$ 1,593,750		12/19/00	\$ 1,590,181	\$1,593,750
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	372 shs.		12/21/00	265,625	-
				1,855,806	1,593,750
Pearlman Enterprises, Inc.					
A developer and distributor of tools, equipment, and supplies to the natural and engineered stone industry.					
Preferred Stock Series A (B)	2,334 shs.		05/22/09	111,508	-
Preferred Stock Series B (B)	13,334 shs.		05/22/09	547,872	-
Common Stock (B)	40,540 shs.		05/22/09	1,877,208	-
				2,536,588	-
Postle Aluminum Company LLC					
A manufacturer and distributor of aluminum extruded products.					
15% Senior Subordinated Note due 2013	\$ 1,628,036		06/03/10	1,614,228	1,628,036
3% Senior Subordinated PIK Note due 2014	\$ 2,283,699		10/02/06	2,076,387	2,283,699
Limited Liability Company Unit Class A (B)	1,384 uts.		10/02/06	510,000	130,813
Limited Liability Company Unit (B)	143 uts.		05/22/09	642	13,515
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	8,595 shs.		10/02/06	124,644	812,353
				4,325,901	4,868,416
Power Services Holding Company					
A provider of industrial motor repair services, predictive and preventative maintenance, and performance improvement consulting serving the petrochemical, mining, power generation, metals, and paper industries.					
12% Senior Subordinated Note due 2016	\$ 1,780,638		02/11/08	1,686,033	1,780,638
Limited Partnership Interest (B)	23.70% int.		02/11/08	177,729	359,968



Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	1,322 shs.	02/11/08	167,588 2,031,350	809,850 2,950,456
Precision Wire Holding Company A manufacturer of specialty medical wires that are used in non-elective minimally invasive surgical procedures. 14.25% Senior Subordinated Note due 2016	\$ 2,652,770	11/12/09	2,458,583	2,705,825
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	206 shs.	11/12/09	203,944 2,662,527	201,679 2,907,504
Qualis Automotive LLC A distributor of aftermarket automotive brake and chassis products. Common Stock (B)	354,167 shs.	05/28/04	354,166	513,981
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	377,719 shs.	05/28/04	377,719 731,885	548,160 1,062,141

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2012

(Unaudited)

		Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)					
R A J Manufacturing Holdings LLC					
A designer and manufacturer of women's swimwear sold under a variety of licensed brand names.					
12.5% Senior Subordinated Note due 2014	\$ 1,411,274		12/15/06	\$ 1,362,102	\$ 1,411,274
Limited Liability Company Unit (B)	2,828 uts.		12/15/06	282,810	56,290
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	3 shs.		12/15/06	131,483	26,546
				1,776,395	1,494,110
RM Holding Company					
A specialty distributor of home medical care equipment.					
13% Senior Subordinated Note due 2018	\$ 1,380,952		02/09/12	1,299,786	1,398,504
Common Stock (B)	1,108 shs.		02/09/12	11	36,860
Preferred Stock (B)	119,037 shs.		02/09/12	119,037	119,037
Warrant, exercisable until 2022, to purchase preferred stock A at \$.01 per share (B)	36,263 shs.		02/09/12	35,940	36,263
Warrant, exercisable until 2022, to purchase preferred stock B at \$.01 per share (B)	21,202 shs.		02/09/12	21,202	21,202
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	556 shs.		02/09/12	-	18,483
				1,475,976	1,630,349
Royal Baths Manufacturing Company					
A manufacturer and distributor of acrylic and cultured marble bathroom products.					
	\$ 531,250		11/14/03	523,045	531,250

12.5% Senior Subordinated Note  
due 2016

Warrant, exercisable until 2016, to  
purchase  
common stock at \$.01 per share

(B)	140 shs.	11/14/03	122,946	72,993
			645,991	604,243

Safety Infrastructure Solutions

A provider of trench safety equipment to a diverse customer base across multiple end markets in Texas and the Southwestern United States.

15% Senior Subordinated Note due 2018	\$ 1,968,750	03/30/12	1,939,999	1,988,382
Preferred Stock (B)	6,294 shs.	03/30/12	251,758	207,832
Common Stock (B)	2,949 shs.	03/30/12	29,492	-
			2,221,249	2,196,214

Sencore Holding Company

A designer, manufacturer, and marketer of decoders, receivers and modulators sold to broadcasters, satellite, cable and telecom operators for encoding/decoding analog and digital transmission video signals.

12.5% Senior Subordinated Note due

2014 (D)	\$ 2,185,882	01/15/09	1,560,231	-
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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

Babson Capital Corporate Investors

June 30, 2012

(Unaudited)

		Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)					
Smart Source Holdings LLC					
A short-term computer rental company.					
12% Senior Subordinated Note due 2015		\$2,223,076	*	\$2,111,882	\$2,223,076
Limited Liability Company Unit (B)		619 uts.	*	631,592	562,230
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)		157 shs.	*	164,769	142,432
* 08/31/07 and 03/06/08.				2,908,243	2,927,738
Snacks Parent Corporation					
The world's largest provider of trail mixes and a leading provider of snack nuts, dried fruits, and other healthy snack products.					
13% Senior Subordinated Note due 2017	\$ 2,648,691		11/12/10	2,516,906	2,546,982
Preferred Stock A (B)	3,395 shs.		11/12/10	322,495	176,570
Preferred Stock B (B)	1,575 shs.		11/12/10	149,650	81,935
Common Stock (B)	19,737 shs.		11/12/10	19,737	-
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	5,418 shs.		11/12/10	5,418	-
				3,014,206	2,805,487
SouthernCare Holdings, Inc.					
A hospice company providing palliative care services to terminally ill patients.					
14% Senior Subordinated Note due 2018	\$ 2,759,205		12/01/11	2,707,616	2,793,012
Common Stock (B)	2,727 shs.		12/01/11	272,727	214,163
				2,980,343	3,007,175
Spartan Foods Holding Company					
A manufacturer of branded pizza crusts and pancakes.					
14.25% Senior Subordinated PIK Note due 2017	\$ 2,267,934		12/15/09	2,006,888	2,154,538
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	257 shs.		12/15/09	227,109	13,483
				2,233,997	2,168,021
Specialty Commodities, Inc.					
A distributor of specialty food ingredients.					
Common Stock (B)	30,000 shs.		10/23/08	300,000	183,761

Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	11,054 shs.	10/23/08	100,650 400,650	67,710 251,471
Stanton Carpet Holding Company				
A designer and marketer of high and mid-priced decorative carpets and rugs.				
12.13% Senior Subordinated Note due 2015	\$ 1,243,902	08/01/06	1,211,216	1,243,902
Common Stock (B)	311 shs.	08/01/06	310,976	541,158
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)	104 shs.	08/01/06	93,293 1,615,485	180,229 1,965,289

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2012

(Unaudited)

		Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)					
Strata/WLA Holding Corporation					
A leading independent anatomic pathology laboratory that conducts over 320,000 tests annually to customers in 40 U.S. states and in Canada and Venezuela.					
14.5% Senior Subordinated Note due					
2018	\$	2,841,812	07/01/11	\$2,791,242	\$2,824,982
Preferred Stock Series A (B)		228 shs.	07/01/11	228,137	154,785
				3,019,379	2,979,767
Sundance Investco LLC					
A provider of post-production services to producers of movies and television shows.					
Limited Liability Company Unit Class					
A (B)		6,429 shs.	03/31/10	-	-
Sunrise Windows Holding Company					
A manufacturer and marketer of premium vinyl windows exclusively selling to the residential remodeling and replacement market.					
14% Senior Subordinated Note					
due 2017	\$	3,160,522	12/14/10	3,004,365	3,037,338
Common Stock (B)		115 shs.	12/14/10	114,504	19,068
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share					
(B)		112 shs.	12/14/10	111,747	18,610
				3,230,616	3,075,016
Synteract Holdings Corporation					
A provider of outsourced clinical trial management services to pharmaceutical and biotechnology companies.					
14.5% Senior Subordinated Note					
due 2017	\$	2,679,330	09/02/08	2,556,922	2,679,330
Redeemable Preferred Stock					
Series A (B)		1,280 shs.	09/02/08	12,523	71,066
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share					
(B)		12,803 shs.	09/02/08	112,693	-
				2,682,138	2,750,396
T H I Acquisition, Inc.					

A machine servicing company providing value-added steel services to long steel products.

Warrant, exercisable until 2016, to purchase common stock at \$.01 per share

(B)	9 shs.	01/14/08	88,054	347,987
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Terra Renewal LLC

A provider of wastewater residual management and required environmental reporting, permitting, nutrient management planning and record keeping to companies involved in poultry and food processing.

12% Senior Subordinated Note due 2014 (D)	\$ 1,162,110	*	1,127,650	-
6.35% Term Note due 2012 (C)	\$ 1,244,254	05/31/11	1,244,254	1,057,616
8.25% Term Note due 2012 (C)	\$ 1,533	06/11/12	1,533	1,303
Common Stock Class B	55 shs.	*	6,254	-

Limited Partnership Interest of

Saw Mill Capital Fund V, LLC (B)	3.97% int.	**	205,558	-
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Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)

	72 shs.	04/28/06	59,041	-
			2,644,290	1,058,919

\* 04/28/06 and 09/13/06.

\*\* 03/01/05 and 10/10/08.

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

Babson Capital Corporate Investors

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
Torrent Group Holdings, Inc.				
A contractor specializing in the sales and installation of engineered drywells for the retention and filtration of stormwater and nuisance water flow.				
14.5% Senior Subordinated Note due 2014 (D)				
	\$ 2,455,561	10/26/07	\$2,147,354	\$1,227,780
Series B Preferred Stock (B)	182 shs.	03/31/10	-	-
Common Stock (B)	515 shs.	03/31/10	414,051	-
			2,561,405	1,227,780
Transpac Holding Company				
A designer, importer and wholesaler of home décor and seasonal gift products.				
12% Senior Subordinated Note due 2015				
	\$ 1,773,006	10/31/07	1,675,729	1,790,736
Common Stock (B)	209 shs.	10/31/07	208,589	59,157
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	94 shs.	10/31/07	87,607	26,710
			1,971,925	1,876,603
Tranzonic Companies (The)				
A producer of commercial and industrial supplies, such as safety products, janitorial supplies, work apparel, washroom and restroom supplies and sanitary care products.				
13% Senior Subordinated Note due 2013				
	\$ 2,712,000	02/05/98	2,700,475	2,712,000
Common Stock (B)	630 shs.	02/04/98	630,000	643,734
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	444 shs.	02/05/98	368,832	453,679
			3,699,307	3,809,413
Truck Bodies & Equipment International				
A designer and manufacturer of accessories for heavy and medium duty trucks, primarily dump bodies, hoists, various forms of flat-bed bodies, landscape bodies and other accessories.				
12% Senior Subordinated Note due 2013				
	\$ 2,309,541	*	2,157,888	2,216,474
Preferred Stock Series B (B)	241 shs.	10/20/08	241,172	137,227
Common Stock (B)	742 shs.	*	800,860	-
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)	153 shs.	*	159,894	-
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	1,054 shs.	10/20/08	-	-
			3,359,814	2,353,701

\* 07/19/05 and 12/22/05.



TruStile Doors, Inc.

A manufacturer and distributor of interior doors.

Limited Liability Company Unit	11,775 uts.	02/28/11	250,000	326,744
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	5,781 shs.	04/11/03	68,059 318,059	1,356 328,100

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
U-Line Corporation				
A manufacturer of high-end, built-in, undercounter ice making, wine storage and refrigeration appliances.				
12.5% Senior Subordinated Note due 2016	\$893,998	04/30/04	\$880,640	\$893,997
Common Stock (B)	182 shs.	04/30/04	182,200	132,496
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	230 shs.	04/30/04	211,736	167,561
			1,274,576	1,194,054
U M A Enterprises, Inc.				
An importer and wholesaler of home décor products.				
Convertible Preferred Stock (B)	887 shs.	02/08/08	886,956	967,519
Vioneering, Inc.				
A designer and manufacturer of tooling and fixtures for the aerospace industry.				
10.5% Senior Secured Term Loan due 2013	\$725,735	05/17/07	723,965	700,321
13% Senior Subordinated Note due 2014	\$648,530	05/17/07	622,378	618,329
18% PIK Convertible Preferred Stock (B)	37,381 shs.	03/13/09	72,519	-
Common Stock (B)	123,529 shs.	05/17/07	123,529	-
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	35,006 shs.	05/17/07	55,055	-
			1,597,446	1,318,650
Vitex Packaging Group, Inc.				
A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags.				
10% Senior Subordinated PIK Note due 2012	\$201,238	10/29/09	200,537	197,361
5% Senior Subordinated PIK Note due 2012 (D)	\$850,000	06/30/07	741,532	845,669
Class B Unit (B)	767,881 uts.	10/29/09	348,058	-
Class C Unit (B)	850,000 uts.	10/29/09	780,572	542,445
Limited Liability Company Unit Class A (B)	723,465 uts.	*	433,222	-
Limited Liability Company Unit Class B (B)	182,935 uts.	07/19/04	182,935	-
* 07/19/04 and 10/29/09.			2,686,856	1,585,475
Wellborn Forest Holding Company				
A manufacturer of semi-custom kitchen and bath cabinetry.				
12.13% Senior Subordinated Note due 2014	\$1,721,250	11/30/06	1,638,669	1,549,125
Common Stock (B)	191 shs.	11/30/06	191,250	-
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	95 shs.	11/30/06	86,493	-

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)					Babson Capital Corporate Investors
June 30, 2012					
(Unaudited)					
Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value	
Wheaton Holding Corporation A distributor and manufacturer of laboratory supply products and packaging. 13% Senior Subordinated					
Note due 2017	\$ 3,000,000	06/08/10	\$ 2,781,442	\$ 3,000,000	
Preferred Stock Series B (B)	2,109 shs.	06/08/10	210,924	224,106	
Common Stock (B)	1,058 shs.	06/08/10	1,058	112,379	
			2,993,424	3,336,485	
Whitcraft Holdings, Inc. A leading independent manufacturer of precision formed, machined, and fabricated flight-critical aerospace components. 12% Senior Subordinated					
Note due 2018	\$ 2,383,562	12/16/10	2,211,574	2,431,233	
Common Stock (B)	616 shs.	12/16/10	616,438	499,067	
Warrant, exercisable until 2018, to purchase common stock at \$.02 per share (B)	166 shs.	12/16/10	148,003	134,101	
			2,976,015	3,064,401	
Workplace Media Holding Company A direct marketer specializing in providing advertisers with access to consumers in the workplace. 13% Senior Subordinated					
Note due 2015 (D)	\$ 1,235,800	05/14/07	1,136,081	-	
Limited Partnership Interest (B)	23.16% int.	05/14/07	115,804	-	
Warrant, exercisable until 2015, to purchase common stock at \$.02 per share (B)	88 shs.	05/14/07	83,462	-	
			1,335,347	-	
WP Supply Holding Corporation A distributor of fresh fruits and vegetables to grocery wholesalers and foodservice distributors in the upper Midwest. 14.5% Senior Subordinated					
Note due 2018	\$ 2,592,374	11/03/11	2,544,045	2,577,541	
Common Stock (B)	4,500 shs.	11/03/11	450,000	233,650	

2,994,045

2,811,191

Total Private Placement  
Investments (E)

\$ 248,392,925

\$ 227,018,432

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

(CONTINUED)

June 30, 2012

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Interest Rate	Due Date	Share or Principal Amount	Cost	Market Value
Rule 144A Securities -5.09%:					
Bonds - 5.04%					
Audatex North America, Inc.	6.750	% 06/15/18	\$ 250,000	\$ 250,000	\$ 263,125
Calpine Corporation	7.500	02/15/21	750,000	770,710	810,000
Calumet Specialty Products Partners L.P	9.625	08/01/20	1,000,000	982,508	1,015,000
Coffeyville Resources LLC	9.000	04/01/15	54,000	53,840	57,510
Community Choice Financial, Inc.	10.750	05/01/19	505,000	515,107	499,950
Everest Acquisition LLC/Everest Acquisition Finance, Inc.	9.375	05/01/20	1,000,000	1,017,447	1,036,250
Evertec, Inc.	11.000	10/01/18	750,000	786,842	789,375
First Data Corporation	7.375	06/15/19	850,000	853,147	867,000
First Data Corporation	8.750	01/15/22	1,000,000	1,010,000	1,007,500
FMG Resources	7.000	11/01/15	750,000	774,663	765,000
Georgia Gulf Corporation	9.000	01/15/17	190,000	193,777	211,850
Hilcorp Energy Company	7.625	04/15/21	725,000	694,067	772,125
International Automotive Component	9.125	06/01/18	1,000,000	946,000	912,500
Pittsburgh Glass Works, LLC	8.500	04/15/16	70,000	70,000	64,400
Reynolds Group Escrow, LLC	7.750	10/15/16	750,000	792,302	789,375
Samson Investment Company	9.750	02/15/20	750,000	736,946	746,250
SandRidge Energy, Inc.	8.000	06/01/18	360,000	363,091	364,500
Valeant Pharmaceuticals International	6.750	10/01/17	70,000	69,704	72,975
Valeant Pharmaceuticals International	7.000	10/01/20	880,000	881,794	888,800
Welltec A/S	8.000	02/01/19	750,000	735,239	720,000
Total Bonds				12,497,184	12,653,485
Convertible Preferred Stock - 0.00%					
ETEX Corporation (B)			777	-	-
Total Convertible Preferred Stock				-	-
Preferred Stock - 0.05%					
Ally Financial			143	45,009	127,400
TherOX, Inc. (B)			103	-	-

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Total Preferred Stock		45,009	127,400
Common Stock - 0.00%			
Touchstone Health Partnership (B)	1,168	-	-
Total Common Stock		-	-
Total Rule 144A Securities		12,542,193	12,780,885
Total Corporate Restricted Securities		\$ 260,935,118	\$ 239,799,317

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

Babson Capital Corporate Investors

June 30, 2012

(Unaudited)

Corporate Public Securities -11.74%: (A)	Interest Rate	Due Date	Share or Principal Amount	Cost	Market Value
Bonds - 11.53%					
Accuride Corp	9.500	% 08/01/18	\$ 1,500,000	\$ 1,543,095	\$ 1,545,000
Affinia Group, Inc.	9.000	11/30/14	50,000	49,193	50,438
Alere, Inc.	9.000	05/15/16	700,000	739,344	712,250
Ally Financial, Inc.	5.500	02/15/17	1,500,000	1,533,750	1,523,611
Alta Mesa Financial Services	9.625	10/15/18	1,500,000	1,501,716	1,481,250
American Axle & Manufacturing Holding, Inc.	7.875	03/01/17	750,000	645,087	774,375
Arch Coal, Inc.	7.000	06/15/19	150,000	150,000	126,750
Avis Budget Car Rental	9.750	03/15/20	750,000	750,000	833,437
B E Aerospace, Inc.	6.875	10/01/20	850,000	870,236	939,250
Berry Plastics Corporation (C)	5.039	02/15/15	500,000	481,752	499,375
Bill Barrett Corporation	7.000	10/15/22	1,000,000	957,500	955,000
Calumet Specialty Products Partners L.P.	9.375	05/01/19	750,000	699,190	751,875
CCO Holdings Capital Corporation	7.250	10/30/17	750,000	769,072	817,500
Chemtura Corporation	7.875	09/01/18	500,000	528,603	525,625
Chesapeake Energy Corporation	6.775	03/15/19	750,000	737,089	731,250
Clean Harbors, Inc.	7.625	08/15/16	60,000	62,142	62,625
Cooper-Standard Automotive	8.500	05/01/18	750,000	797,652	809,062
Crosstex Energy L.P.	8.875	02/15/18	225,000	221,345	237,656
Energy Future Holdings	10.000	01/15/20	400,000	403,374	427,000
Energy Transfer Equity LP	7.500	10/15/20	100,000	100,000	109,750
Evertec, Inc.	11.000	10/01/18	585,000	603,110	615,712
Fidelity National Information	7.875	07/15/20	125,000	125,000	140,625
Goodrich Petroleum Corporation	8.875	03/15/19	360,000	360,000	342,900
HCA Holdings, Inc.	7.750	05/15/21	1,000,000	1,046,502	1,072,500
Headwaters, Inc.	7.625	04/01/19	850,000	850,220	835,125
Health Management Association	6.125	04/15/16	750,000	771,776	795,000
Huntington Ingalls Industries	7.125	03/15/21	750,000	779,741	783,750
Inergy, L.P.	7.000	10/01/18	200,000	200,000	206,000
Mediacom Broadband LLC	8.500	10/15/15	750,000	766,246	770,625
Michael Foods, Inc.	9.750	07/15/18	75,000	75,000	82,313
Nexstar Broadcasting Group, Inc.	8.875	04/15/17	175,000	174,156	184,844
Nexeo Solutions LLC	8.375	03/01/18	40,000	40,000	38,800
Northern Tier Energy LLC	10.500	12/01/17	675,000	702,604	722,250
NRG Energy, Inc.	8.500	06/15/19	750,000	773,675	783,750
Nuveen Investments	5.500	09/15/15	1,500,000	1,368,750	1,357,500
Perry Ellis International, Inc.	7.875	04/01/19	750,000	742,538	755,625
Pinnacle Foods Finance LLC	9.250	04/01/15	300,000	305,148	308,250
Precision Drilling Corporation	6.625	11/15/20	750,000	773,552	772,500



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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2012

(Unaudited)

	Interest	Due	Shares or		Market
Corporate Public Securities - (A)			Principal		
(Continued)	Rate	Date	Amount	Cost	Value
Quebecor Media, Inc.	7.750	% 03/15/16	\$ 1,050,000	\$ 1,010,340	\$ 1,078,875
Quiksilver, Inc.	6.875	04/15/15	315,000	300,118	303,975
Spectrum Brands, Inc.	9.500	06/15/18	125,000	123,610	141,250
Sprint Nextel Corporation	6.000	12/01/16	1,000,000	1,025,923	957,500
Thermadyne Holdings Corporation	9.000	12/15/17	750,000	797,481	766,875
Tomkins, Inc.	9.250	10/01/18	297,000	297,000	330,413
Trimas Corporation	9.750	12/15/17	60,000	59,076	66,000
Tutor Perini Corporation	7.625	11/01/18	-	7	7
United Rentals, Inc.	10.875	06/15/16	125,000	122,565	140,469
Venoco, Inc.	8.875	02/15/19	500,000	509,248	455,000
Visteon Corporation	6.750	04/15/19	200,000	200,000	194,500
Total Bonds				28,443,526	28,916,012
Common Stock - 0.21%					
Bally Total Fitness Holding Corporation (B)					
(F)			29	2	5
Chase Packaging Corporation (B)			9,541	-	191
Intrepid Potash, Inc. (B)			365	11,680	8,307
Nortek, Inc. (B)			175	1	8,757
Rue21, Inc. (B)			650	12,350	16,406
Supreme Industries, Inc. (B)			125,116	267,319	489,204
Total Common Stock				291,352	522,870
Total Corporate Public Securities				\$28,734,878	\$29,438,882
Short-Term Securities:	Interest	Due	Principal		Market
Commercial Paper - 2.99%	Rate/Yield^	Date	Amount	Cost	Value
NSTAR Electric Company	0.320	% 07/05/12	\$4,000,000	\$3,999,858	3,999,858
Wisconsin Gas Company	0.180	07/10/12	3,500,000	3,499,842	3,499,842
Total Short-Term Securities				\$7,499,700	\$7,499,700
Total Investments	110.34	%		\$297,169,696	\$276,737,899
Other Assets	4.66				11,673,849
Liabilities	(15.00	)			(37,614,087)
Total Net Assets	100.00	%			\$250,797,661

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

(B) Non-income producing security.

(C) Variable rate security; rate indicated is as of June 30, 2012

(D) Defaulted security; interest not accrued.

(E) Illiquid security. As of June 30, 2012, the value of these securities amounted to \$227,018,432 or 90.52% of net assets.

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

^ Effective yield at purchase

PIK - Payment-in-kind

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

Babson Capital Corporate Investors

June 30, 2012

(Unaudited)

Industry Classification:	Fair Value/ Market Value		Fair Value/ Market Value
AEROSPACE - 2.80%		BROADCASTING & ENTERTAINMENT - 0.07%	
A E Company, Inc.	\$ 344,103	HOP Entertainment LLC	\$ -
B E Aerospace, Inc.	939,250	Nexstar Broadcasting Group, Inc.	184,844
Merex Holding Corporation	1,367,696	Sundance Investco LLC	-
Visioneering, Inc.	1,318,650	Workplace Media Holding Company	-
Whitcraft Holdings, Inc.	3,064,401		184,844
	7,034,100	BUILDINGS & REAL ESTATE - 1.99%	
AUTOMOBILE - 8.41%		K W P I Holdings Corporation	1,581,460
Accuride Corp	1,545,000	Sunrise Windows Holding Company	3,075,016
American Axle & Manufacturing Holding, Inc.	774,375	TruStile Doors, Inc.	328,100
Audatex North America, Inc.	263,125	Tutor Perini Corporation	7
Avis Budget Car Rental	833,437		4,984,583
Cooper-Standard Automotive	809,062	CHEMICAL, PLASTICS & RUBBER - 1.07%	
DPL Holding Corporation	2,983,605	Capital Specialty Plastics, Inc.	879,134
F H Equity LLC	3,282,231	Nicoat Acquisitions LLC	1,793,938
International Automotive Component	912,500		2,673,072
J A C Holding Enterprises, Inc.	2,397,650	CONSUMER PRODUCTS - 10.58%	
Jason Partners Holdings LLC	48,185	Aero Holdings, Inc.	2,895,468
K & N Parent, Inc.	3,009,331	Baby Jogger Holdings LLC	3,007,965
Nyloncraft, Inc.	755,025	Bravo Sports Holding Corporation	570,398
Ontario Drive & Gear Ltd.	1,833,066	Custom Engineered Wheels, Inc.	2,337,120
Pittsburgh Glass Works, LLC	64,400	Handi Quilter Holding Company	1,579,760
Qualis Automotive LLC	1,062,141	K N B Holdings Corporation	4,545,668
Tomkins, Inc.	330,413	Manhattan Beachwear Holding Company	2,736,451
Visteon Corporation	194,500	Perry Ellis International, Inc.	755,625
	21,098,046	R A J Manufacturing Holdings LLC	1,494,110
BEVERAGE, DRUG & FOOD - 5.81%		Tranzonic Companies (The) WP Supply Holding Corporation	3,809,413
Eatem Holding Company	3,220,143		2,811,191
F F C Holding Corporation	3,234,934		26,543,169

Golden County Foods Holding, Inc.	-	CONTAINERS, PACKAGING & GLASS - 4.29%	
Hospitality Mints Holding Company	2,815,660	Berry Plastics Corporation	499,375
Michael Foods, Inc.	82,313	Chase Packaging Corporation	191
Snacks Parent Corporation	2,805,487	Flutes, Inc.	367,354
Spartan Foods Holding Company	2,168,021	P K C Holding Corporation	3,553,419
Specialty Commodities, Inc.	251,471	P P T Holdings LLC	3,163,285
	14,578,029	Paradigm Packaging, Inc.	1,593,750
		Vitex Packaging Group, Inc.	1,585,475
			10,762,849

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2012

(Unaudited)

Industry Classification: (Continued)	Fair Value/ Market Value	Fair Value/ Market Value	
DISTRIBUTION - 2.5%		DIVERSIFIED/CONGLOMERATE, SERVICE - 8.94%	
Duncan Systems, Inc.	\$ 1,126,403	A S C Group, Inc.	\$ 3,089,460
F C X Holdings Corporation	3,507,449	A W X Holdings Corporation	661,500
		Advanced Technologies	
RM Holding Company	1,630,349	Holdings	1,249,542
	6,264,201	Affinia Group, Inc.	50,438
		Apex Analytix Holding	
DIVERSIFIED/CONGLOMERATE,		Corporation	2,236,297
		Associated Diversified	
MANUFACTURING - 15.03%		Services	1,844,690
		Church Services Holding	
A H C Holding Company, Inc.	2,962,629	Company	1,548,456
		Clough, Harbour and	
Arrow Tru-Line Holdings, Inc.	1,692,295	Associates	443,703
C D N T, Inc.	1,242,557	Crane Rental Corporation	2,232,710
F G I Equity LLC	4,181,979	ELT Holding Company	2,957,361
		Insurance Claims	
G C Holdings	3,261,564	Management, Inc.	459,074
		Mail Communications Group,	
HGGC Citadel Plastics Holdings	2,959,265	Inc.	459,078
Ideal Tridon Holdings, Inc.	3,051,063	Nexeo Solutions LLC	38,800
		Northwest Mailing Services,	
K P H I Holdings, Inc.	3,245,407	Inc.	2,957,218
K P I Holdings, Inc.	2,672,301	Pearlman Enterprises, Inc.	-
		Safety Infrastructure	
LPC Holding Company	3,046,949	Solutions	2,196,214
MEGTEC Holdings, Inc.	637,126		22,424,541
Nortek, Inc.	8,757	ELECTRONICS - 1.66%	
O E C Holding Corporation	1,446,693	Barcodes Group, Inc.	2,648,509
Postle Aluminum Company LLC	4,868,416	Connecticut Electric, Inc.	1,524,343
Trimas Corporation	66,000		4,172,852
Truck Bodies & Equipment			
International	2,353,701	FINANCIAL SERVICES - 3.81%	
	37,696,702	Ally Financial, Inc.	1,651,011
		Alta Mesa Financial Services	1,481,250
		Community Choice Financial,	
		Inc.	499,950
		DPC Holdings LLC	2,996,245
		Evertec, Inc.	789,375
		Nuveen Investments	1,357,500
		Reynolds Group Escrow,	
		LLC	789,375

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

Industry Classification: (Continued)	Fair Value/ Market Value		Fair Value/ Market Value
HEALTHCARE, EDUCATION & CHILDCARE - 9.17%		MACHINERY - 6.92%	
Alere, Inc.	\$ 712,250	A S A P Industries LLC	\$ 1,097,995
American Hospice Management Holding LLC	4,089,217	Arch Global Precision LLC	2,976,043
CHG Alternative Education Holding Company	2,389,395	E S P Holdco, Inc.	2,813,575
Healthcare Direct Holding Company	2,248,584	M V I Holding, Inc.	205,505
Marshall Physicians Services LLC	1,472,761	Motion Controls Holdings	3,153,181
SouthernCare Holdings, Inc.	3,007,175	NetShape Technologies, Inc.	1,611,774
Strata/WLA Holding Corporation	2,979,767	Pacific Consolidated Holdings LLC	567,445
Synteract Holdings Corporation	2,750,396	Power Services Holding Company	2,950,456
Touchstone Health Partnership	-	Supreme Industries, Inc.	489,204
Wheaton Holding Corporation	3,336,485	Thermadyne Holdings Corporation	766,875
	22,986,030	Welltec A/S	720,000
HOME & OFFICE FURNISHINGS, HOUSEWARES & DURABLE CONSUMER PRODUCTS - 4.77%		MEDICAL DEVICES/BIOTECH - 4.98%	
Connor Sport Court International, Inc.	2,613,863	Chemtura Corporation	525,625
H M Holding Company	171,275	Coeur, Inc.	1,429,478
Home Decor Holding Company	578,779	E X C Acquisition Corporation	19,704
Monessen Holding Corporation	-	ETEX Corporation	-
Quiksilver, Inc.	303,975	Evertec, Inc.	615,712
Royal Baths Manufacturing Company	604,243	HCA Holdings, Inc.	1,072,500
Spectrum Brands, Inc.	141,250	Health Management Association	795,000
Stanton Carpet Holding Company	1,965,289	MedSystems Holdings LLC	1,356,823
Transpac Holding Company	1,876,603	MicroGroup, Inc.	671,403
U-Line Corporation	1,194,054	NT Holding Company	3,091,787
U M A Enterprises, Inc.	967,519	Precision Wire Holding Company	2,907,504



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Wellborn Forest Holding Company	1,549,125	TherOX, Inc.	-
	11,965,975		12,485,536
LEISURE, AMUSEMENT & ENTERTAINMENT - 0.00%		MINING, STEEL, IRON & NON-PRECIOUS	
Bally Total Fitness Holding Corporation	5	METALS - 0.44%	
		FMG Resources	765,000
		T H I Acquisition, Inc.	347,987
			1,112,987

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2012

(Unaudited)

Industry Classification: (Continued)	Fair Value/ Market Value		Fair Value/ Market Value
NATURAL RESOURCES - 0.62%		TECHNOLOGY - 1.97%	
Arch Coal, Inc.	\$ 126,750	Fidelity National Information	\$ 140,625
Georgia Gulf Corporation	211,850	First Data Corporation	1,874,500
Headwaters, Inc.	835,125	Sencore Holding Company	-
Intrepid Potash, Inc.	8,307	Smart Source Holdings LLC	2,927,738
SandRidge Energy, Inc.	364,500		
	1,546,532	TELECOMMUNICATIONS - 1.58%	4,942,863
OIL & GAS - 7.61%		All Current Holding Company	1,409,647
Bill Barrett Corporation	955,000	CCO Holdings Capital Corporation	817,500
Calumet Specialty Products Partners L.P.	1,766,875	Mediacom Broadband LLC	770,625
Chesapeake Energy Corporation	731,250	Sprint Nextel Corporation	957,500
Coffeyville Resources LLC	57,510		3,955,272
Energy Transfer Equity LP	109,750	TRANSPORTATION - 0.37%	
Everest Acquisition LLC/Everest Acquisition		Huntington Ingalls Industries	783,750
Finance, Inc.	1,036,250	NABCO, Inc.	156,250
Goodrich Petroleum Corporation	342,900		940,000
Hilcorp Energy Company	772,125	UTILITIES - 2.58%	
International Offshore Services LLC	1,275,000	Calpine Corporation	810,000
MBWS Ultimate Holdco, Inc.	5,831,746	Crosstex Energy L.P.	237,656
Northern Tier Energy LLC	722,250	Energy Future Holdings	427,000
Precision Drilling Corporation	772,500	Inergy, L.P.	206,000
Samson Investment Company	746,250	NRG Energy, Inc.	783,750
Venoco, Inc.	455,000	NSTAR Electric Company	3,999,858
Wisconsin Gas Company	3,499,842		6,464,264
	19,074,248	WASTE MANAGEMENT/POLLUTION - 0.94%	
PHARMACEUTICALS - 0.71%		Clean Harbors, Inc.	62,625
CorePharma LLC	815,919	Terra Renewal LLC	1,058,919
Valeant Pharmaceuticals International	961,775	Torrent Group Holdings, Inc.	1,227,780
	1,777,694		2,349,324
PUBLISHING/PRINTING - 0.53%		Total Investments - 110.34%	276,737,899
Newark Group, Inc.	259,422		
Quebecor Media, Inc.	1,078,875		
	1,338,297		
RETAIL STORES - 0.19%			

Pinnacle Foods Finance LLC	308,250
Rue21, Inc.	16,406
United Rentals, Inc.	140,469
	465,125

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

## Babson Capital Corporate Investors

## 1. History

Babson Capital Corporate Investors (the “Trust”) commenced operations in 1971 as a Delaware corporation. Pursuant to an Agreement and Plan of Reorganization dated November 14, 1985, approved by shareholders, the Trust was reorganized as a Massachusetts business trust under the laws of the Commonwealth of Massachusetts, effective November 28, 1985. Effective December 16, 2011, the Trust’s name was changed to Babson Capital Corporate Investors. Prior to December 16, 2011, the Trust’s name was MassMutual Corporate Investors.

The Trust is a diversified closed-end management investment company. Babson Capital Management LLC (“Babson Capital”), a wholly-owned indirect subsidiary of Massachusetts Mutual Life Insurance Company (“MassMutual”), acts as its investment adviser. The Trust’s investment objective is to maintain a portfolio of securities providing a 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 capital.

On January 27, 1998, the Board of Trustees authorized the formation of a wholly-owned subsidiary of the Trust (“CI Subsidiary Trust”) for the

## Determination of Fair Value

The determination of the fair value of the Trust’s investments is the responsibility of the Trust’s Board of Trustees (the “Trustees”). The Trustees have adopted procedures for the valuation of the Trust’s securities and has delegated responsibility for determination of fair value under those procedures to Babson Capital. Babson Capital has established a Pricing Committee which is responsible for setting the guidelines used in following the procedures adopted by the Trustees and ensuring that those guidelines are being followed. Babson Capital considers all relevant factors that are reasonably available, through either public information or information directly available to Babson Capital, when determining the fair value of a security. The Trustees meet at least once each quarter to approve the value of the Trust’s portfolio securities as of the close of business on the last business day of the preceding quarter. This valuation requires the approval of a majority of the Trustees of the Trust, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital. In approving valuations, the Trustees will consider reports by Babson Capital analyzing each portfolio security in accordance with the procedures and guidelines referred to above, which include the relevant factors referred to below. Babson Capital has agreed to provide such reports to the Trust at least quarterly. The consolidated financial statements include private placement restricted securities valued at \$227,018,432 (90.52% of net assets) as of June 30, 2012 whose values have been estimated by the Trustees based on the process described above in the absence of readily ascertainable market values. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

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

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

purpose of holding certain investments. The results of CI Subsidiary Trust are consolidated in the accompanying financial statements. Footnote 2.D below discusses the Federal tax consequences of the CI Subsidiary Trust.

2. Significant Accounting Policies

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

A. Fair Value Measurements:

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

The Trust uses external independent third-party pricing services to determine the fair values of its Corporate Public Securities. At June 30, 2012, 100% of the carrying value of these investments was from external pricing services. In the event that the primary pricing service does not provide a price, the Trust utilizes the pricing provided by a secondary pricing service.

Public debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Trusts pricing services use multiple valuation techniques to determine fair value. In instances where significant market activity exists, the pricing services may utilize a market based approach through which quotes from market makers are used to determine fair value. In instances where significant market activity may not exist or is limited, the pricing services also utilize proprietary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Unaudited)

valuation models which may consider market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal underlying prepayments, collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

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

Annually, Babson Capital conducts reviews of the primary pricing vendors to validate that the inputs used in that vendors' pricing process are deemed to be market observable as defined in the standard. While Babson Capital is not provided access to proprietary models of the vendors, the reviews have included on-site walk-throughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. The review also included an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations, a process Babson Capital continues to perform annually. In addition, the pricing vendors have an established challenge process in place for all security valuations, which facilitates identification and resolution of prices that fall outside expected ranges. Babson Capital believes that the prices received from the pricing vendors are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

Corporate Restricted Securities – Corporate Bonds

proceeds from senior debt tranches of the capital structure to senior then junior subordinated debt, followed by each class of preferred stock and finally the common stock.

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

Both the company's EBITDA and valuation multiple are considered significant unobservable inputs. Significant increases/ (decreases) to the company's trailing twelve months EBITDA and/or the valuation multiple would result in significant increases/(decreases) to the equity value.

Short-Term Securities

Short-term securities, of sufficient credit quality, with more than sixty days to maturity are valued at fair value, using external independent third-party services. Short-term securities having a maturity of sixty days or less are valued at amortized cost, which approximates fair value.

Quantitative Information about Level 3 Fair Value Measurements

The following table represents quantitative information about Level 3 fair value measurements as of June 30, 2012.

	Valuation Technique	Unobservable Inputs	Range
Corporate Bonds	Discounted Cash Flows	Probability of Default Credit Adjustments	-1.00% to +1.00% +1.00% to -1.46%
Equity Securities	Market Approach	Valuation Multiple Discount for lack of marketability	3.1x to 9.9x 0% to 5%

Fair Value Hierarchy

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

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

Level 1 – quoted prices in active markets for identical securities

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

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

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

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

The fair value of equity securities is determined using an enterprise waterfall methodology. Under this methodology, the enterprise value of the company is first estimated and that value is then allocated to the company's outstanding debt and equity securities based on the documented priority of each class of securities in the capital structure. Generally, the waterfall

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) Babson Capital Corporate Investors (Unaudited)

The following is a summary of the inputs used to value the Trust's net assets as of June 30, 2012:

Assets:	Total	Level 1	Level 2	Level 3
Restricted Securities				
Corporate Bonds	\$ 196,886,005	\$ -	\$ 12,653,485	\$ 184,232,520
Common Stock - U.S.	19,062,264	-	-	19,062,264
Preferred Stock	11,232,706	-	127,400	11,105,306
Partnerships and LLCs	12,618,342	-	-	12,618,342
Public Securities				
Corporate Bonds	28,916,012	-	28,916,012	-
Common Stock - U.S.	522,870	522,865	-	5
Short-term Securities	7,499,700	-	7,499,700	-
Total	\$ 276,737,899	\$ 522,865	\$ 49,196,597	\$ 227,018,437

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

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

Assets:	Beginning balance at 12/31/2011	Included in earnings	Purchases	Sales	Prepayments	Transfers in and/or out of Level 3	Ending balance at 06/30/2012
Restricted Securities							
Corporate Bonds	\$ 190,217,815	\$ 588,451	\$ 23,999,118	\$(7,817,479)	\$(22,755,385)	\$-	\$ 184,232,520
Common Stock - U.S.	21,607,181	461,886	1,512,961	(4,519,764)	-	-	19,062,264
Preferred Stock	12,275,194	(601,280)	861,707	(1,430,315)	-	-	11,105,306
Partnerships and LLCs	13,205,570	(587,228)	-	-	-	-	12,618,342
Public Securities							
Common Stock	7	(2)	-	-	-	-	5
	\$ 237,305,767	\$(138,173)	\$ 26,373,786	\$(13,767,558)	\$(22,755,385)	\$-	\$ 227,018,437

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

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

Net Increase in Net Assets Resulting from Operations	Change in Unrealized Gains & (Losses) in Net Assets from assets still held
--	--



Interest (Amortization)	702,585	-
Net realized gain on investments before taxes	3,579,210	-
Net change in unrealized depreciation of investments before taxes.	(4,419,968 )	(792,504 )

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Unaudited)

B. Accounting for Investments:

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

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

C. Use of Estimates:

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

D. Federal Income Taxes:

The Trust has elected to be taxed as a “regulated investment company” under the Internal Revenue Code, and intends to maintain this qualification and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that the Trustees either designate the net realized long-term gains as undistributed and pay the Federal capital gains taxes thereon or distribute all or a portion of such net gains.

at prevailing corporate tax rates. As of June 30, 2012, the CI Subsidiary Trust has incurred income tax expense of \$175.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax basis. As of June 30, 2012, the CI Subsidiary Trust has a deferred tax liability of \$668,382.

Beginning with the 2009 annual financial statements, the Trust recognizes a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority’s widely understood administrative practices and precedents. If this threshold is met, the Trust measures the tax benefit as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Trust has evaluated and determined that the tax positions did not have a material effect on the Trust’s financial position and results of operations for the six months ended June 30, 2012.

E. Distributions to Shareholders:

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

A. Services:

Under an Investment Services Contract (the “Contract”) with the Trust, Babson Capital agrees to use its best efforts to present to the Trust a continuing and suitable investment program consistent with the investment objectives and policies of the Trust. Babson Capital represents the Trust in any negotiations with issuers, investment banking firms, securities brokers or dealers and other institutions or investors relating to the Trust’s

The Trust is taxed as a regulated investment company and is therefore limited as to the amount of non-qualified income that it may receive as the result of operating a trade or business, e.g. the Trust's pro rata share of income allocable to the Trust by a partnership operating company. The Trust's violation of this limitation could result in the loss of its status as a regulated investment company, thereby subjecting all of its net income and capital gains to corporate taxes prior to distribution to its shareholders. The Trust, from time-to-time, identifies investment opportunities in the securities of entities that could cause such trade or business income to be allocable to the Trust. The CI Subsidiary Trust (described in Footnote 1 above) was formed in order to allow investment in such securities without adversely affecting the Trust's status as a regulated investment company.

The CI Subsidiary Trust is not taxed as a regulated investment company. Accordingly, prior to the Trust receiving any distributions from the CI Subsidiary Trust, all of the CI Subsidiary Trust's taxable income and realized gains, including non-qualified income and realized gains, is subject to taxation

investments. Under the Contract, Babson Capital also provides administration of the day-to-day operations of the Trust and provides the Trust with office space and office equipment, accounting and bookkeeping services, and necessary executive, clerical and secretarial personnel for the performance of the foregoing services.

B. Fee:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) Babson Capital Corporate Investors  
(Unaudited)

C. Basis for Board Renewal of Contract:

At a meeting of the Trustees held on April 27, 2012, the Trustees (including a majority of the Trustees who are not “interested persons” of the Trust or Babson Capital) unanimously approved a one-year continuance of the Contract.

Prior to the meeting, the Trustees requested and received from Ropes & Gray LLP, counsel to the Trust, a memorandum describing the Trustees’ legal responsibilities in connection with their review and re-approval of the Contract. The Trustees also requested and received from Babson Capital extensive written and oral information regarding other matters including: the principal terms of the Contract; the reasons why Babson Capital was proposing the continuance of the Contract; Babson Capital and its personnel; the Trust’s investment performance, including comparative performance information; the nature and quality of the services provided by Babson Capital to the Trust; financial strength of Babson Capital; the fee arrangements between Babson Capital and the Trust; fee and expense information, including comparative fee and expense information; profitability of the advisory arrangement to Babson Capital; and “fallout” benefits to Babson Capital resulting from the Contract.

Among other things, the Trustees discussed and considered with management (i) the aforementioned guidance provided by Ropes & Gray LLP and the information provided by Babson Capital prior to the meeting and (ii) the reasons Babson Capital put forth in support of its recommendation that the Trustees approve the continuance of the Contract. These considerations are summarized below.

**NATURE, EXTENT AND QUALITY OF SERVICES TO BE PROVIDED BY BABSON CAPITAL TO THE TRUST**

In evaluating the scope and quality of the services provided by Babson Capital to the Trust, the Trustees considered, among other factors: (i) the scope of services required to be provided by

they are satisfied with the nature, extent and quality of services provided by Babson Capital, and expected to be provided in the future, under the renewed Contract.

**INVESTMENT PERFORMANCE**

The Trustees also examined the Trust’s short-term, intermediate-term, and long-term performance as compared against various benchmark indices presented at the meeting, which showed that the Trust had outperformed such indices for the 1-, 3-, 5- and 10-year periods. In addition, the Trustees considered comparisons of the Trust’s performance with the performance of (i) selected closed-end investment companies and funds that may invest in private placement securities and/or bank loans; (ii) selected business development companies with comparable types of investments; and (iii) investment companies included in the Lipper closed-end bond universe. It was acknowledged that, while such comparisons are helpful in judging performance, they are not directly comparable in terms of types of investments due to the fact that business development companies often report returns based on market value, which is affected by factors other than the performance of the underlying portfolio investments. Based on these considerations and the detailed performance information provided to the Trustees at the regular Board meetings each quarter, the Trustees concluded that the Trust’s absolute and relative performance over time have been sufficient to warrant renewal of the Contract.

**ADVISORY FEE/COST OF SERVICES PROVIDED AND PROFITABILITY/ MANAGER’S “FALL-OUT” BENEFITS**

In connection with the Trustees’ consideration of the advisory fee paid by the Trust to Babson Capital under the Contract, Babson Capital noted that it was unaware of any registered closed-end investment companies that are directly comparable to the Trust in terms of the types of investments and percentages invested in private placement securities (which require more extensive advisory and administrative services than a portfolio of publicly traded securities, as previously discussed) other than Babson Capital Participation

Babson Capital under the Contract; (ii) Babson Capital's ability to find and negotiate private placement securities having equity features that are consistent with the stated investment objectives of the Trust; (iii) the experience and quality of Babson Capital's staff; (iv) the strength of Babson Capital's financial condition; (v) the nature of the private placement market compared to public markets (including the fact that finding, analyzing, negotiating and servicing private placement securities is more labor-intensive than buying and selling public securities and the administration of private placement securities is more extensive, expensive, and requires greater time and expertise than a portfolio of only public securities); (vi) the potential advantages afforded to the Trust by its ability to co-invest in negotiated private placements with MassMutual and its affiliates; and (vii) the expansion of the scope of services provided by Babson Capital as a result of recent regulatory and legislative initiatives that have required increased legal, compliance and business attention and diligence. Based on such considerations, the Trustees concluded that, overall,

Investors, which also is advised by Babson Capital. Under the terms of its Investment Advisory and Administrative Services Contract, Babson Capital Participation Investors is charged a quarterly investment advisory fee of 0.225% of net asset value as of the end of each quarter, which is approximately equal to 0.90% annually. In considering the fee rate provided in the Contract, the Trustees noted the advisory fee charged by Babson Capital to Tower Square Capital Partners, L.P. and Tower Square Capital Partners II and III, L.P., each a private mezzanine fund also managed by Babson Capital, and that the fee Babson Capital Participation Investors charged compares favorably.

At the request of the Trustees, Babson Capital provided information concerning the profitability of Babson Capital's advisory relationship with the Trust. The Trustees also considered the non-economic benefits Babson Capital and its affiliates

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Unaudited)

derived from its relationship with the Trust, including the reputational benefits derived from having the Trust listed on the New York Stock Exchange, and the de minimis amount of commissions resulting from the Trust's portfolio transactions used by Babson Capital for third-party soft dollar arrangements. The Trustees recognized that Babson Capital should be entitled to earn a reasonable level of profit for services provided to the Trust and, based on their review, concluded that they were satisfied that Babson Capital's historical level of profitability from its relationship with the Trust was not excessive and that the advisory fee structure under the Contract is reasonable.

## 5. Purchases and Sales of Investments

For the six  
months ended  
06/30/2012

Cost of  
Investments  
Acquired

Proceeds  
from  
Sales or  
Maturities

Corporate restricted  
securities  
Corporate public  
securities

\$ 30,311,267

\$ 37,054,493

8,384,375

4,063,605

## ECONOMIES OF SCALE

The Trustees considered the concept of economies of scale and possible advisory fee reductions if the Trust were to grow in assets. Given that the Trust is not continuously offering shares, such growth comes principally from retained net realized gain on investments and dividend reinvestment. The Trustees also examined the breakpoint features of selected competitive funds and noted that the minimum starting point for fee reductions in those funds was at least \$200 million, close to the value of the Trust's current net assets. The Trustees concluded that the absence of breakpoints in the fee schedule under the Contract was currently acceptable given the Trust's current size and closed-end fund structure.

The aggregate cost of investments is substantially the same for financial reporting and Federal income tax purposes as of June 30, 2012. The net unrealized depreciation of investments for financial reporting and Federal tax purposes as of June 30, 2012 is \$20,431,797 and consists of \$24,732,392 appreciation and \$45,164,189 depreciation.

Net unrealized depreciation of investments on the Statement of Assets and Liabilities reflects the balance net of a deferred tax accrual of \$668,382 on net unrealized gains on the CI Subsidiary Trust.

## 4. Senior Indebtedness

## 6. Quarterly Results of Investment Operations

MassMutual holds the Trust's \$30,000,000 Senior Fixed Rate Convertible Note (the "Note") issued by the Trust on November 15, 2007. The Note is due November 15, 2017 and accrues interest at 5.28% per annum. MassMutual, at its option, can convert the principal amount of the Note into common shares. The dollar amount of principal would be converted into an equivalent dollar amount of common shares based upon the average price of the common shares for ten business days prior to the notice of conversion. For the six months ended June 30, 2012, the Trust incurred total interest expense on the Note of \$792,295.

	March 31, 2012	Per Share
	Amount	
Investment income	\$ 7,478,371	
Net investment income	6,069,502	\$ 0.32
Net realized and unrealized loss on investments (net of taxes)	(1,257,635)	(0.07 )
	June 30, 2012	
	Amount	Per Share
Investment income	\$ 7,311,856	
Net investment income	5,897,527	\$ 0.31
Net realized and unrealized gain on investments (net of taxes)	2,354,096	0.12

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) Babson Capital Corporate Investors  
(Unaudited)

## 7. Results of Shareholder Meeting

The Annual Meeting of Shareholders was held on Friday, April 27, 2012. The Shareholders were asked to vote to re-elect as Trustees William J. Barrett, Martin T. Hart and Clifford M. Noreen for three year terms. In addition, Edward P. Grace, III was up for election for a one-year term. The Shareholders approved the proposals. The Trust's other Trustees, Donald E. Benson, Michael H. Brown, Donald Glickman, Robert E. Joyal, and Maleyne M. Syracuse continued to serve their respective terms following the April 27, 2012 Annual Shareholders Meeting. The results of the Shareholder voting are set forth below.

Shares For	Withheld	Total	% of Shares Voted For
William J. Barrett 15,296,830	448,750	15,745,580	97.15 %
Martin T. Hart 15,326,536	419,044	15,745,580	97.34 %
Clifford M. Noreen 15,432,399	313,181	15,745,580	98.01 %
Edward P. Grace III 15,431,030	314,550	15,745,580	98.00 %



Members of the Board of Trustees

DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

Donald Glickman

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

Robert E. Joyal

William J. Barrett

Michael H. Brown\*

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

Donald E. Benson\*

Clifford M. Noreen

Martin T. Hart

Maleyne M. Syracuse\*

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

Edward P. Grace III

Susan B. Sweeney

\*Member of the Audit Committee

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

Officers

Clifford M. Noreen  
Chairman

Michael L. Klofas  
President

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

James M. Roy  
Vice President & Chief  
Financial Officer

Christopher A. DeFrancis  
Vice President  
& Secretary

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

Sean Feeley  
Vice President

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

Michael P. Hermsen  
Vice President

Mary Wilson Kibbe  
Vice President

Richard E. Spencer, II  
Vice President

Daniel J. Florence  
Treasurer

John T. Davitt, Jr.  
Comptroller

Melissa M. LaGrant  
Chief Compliance Officer

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ITEM 2. CODE OF ETHICS.

Not applicable for this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable for this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable for this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable for this filing.

ITEM 6. SCHEDULE OF INVESTMENTS

A schedule of investments for the Registrant is included as part of this report to shareholders under Item 1 of this Form N-CSR.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable for this filing.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The following disclosure item is made as of the date of this Form N-CSR unless otherwise indicated.

**PORTFOLIO MANAGER.** Michael L. Klofas serves as the President of the Registrant (since 2009) and as one of its Portfolio Managers. Mr. Klofas began his service to the Registrant in 1998 as a Vice President. With over 25 years of industry experience, Mr. Klofas is a Managing Director of the U.S. Mezzanine and Private Equity Group of Babson Capital Management LLC ("Babson Capital"). Mr. Klofas joined MassMutual in 1988. Prior to joining MassMutual, he spent two years at a small venture capital firm and two years at a national public accounting firm. At MassMutual and then Babson Capital, Mr. Klofas has analyzed and invested in traditional private placements and high yield public bonds. He also spent four years leading Babson Capital's workout and restructuring activities. Since 1993, he has focused on originating, analyzing, structuring and documenting mezzanine and private equity investments. Mr. Klofas holds a B.A. from Brandeis University and an M.B.A. from Babson College as well as a Certified Public Accountant designation. Mr. Klofas also presently serves as President of Babson Capital Participation Investors, another closed-end management investment company advised by Babson Capital.

**PORTFOLIO MANAGEMENT TEAM.** Mr. Klofas has primary responsibility for overseeing the investment of the Registrant's portfolio, with the day-to-day investment management responsibility of the Registrant's portfolio being

shared with the following Babson Capital investment professionals (together with the Portfolio Manager, the "Portfolio Team").

Michael P. Hermsen is a Vice President of the Registrant and a Managing Director of Babson Capital who oversees the Global Private Finance Group and manages Babson Capital's Mezzanine and Private Equity Investments Team, which is responsible for finding, analyzing, negotiating and servicing mezzanine private placement securities for the Registrant.

Mr. Hermsen joined MassMutual in 1990 and has been an officer of the Registrant since 1998. Previously, he worked at Teachers Insurance and Annuity Association where he was a generalist private placement analyst. At MassMutual and then Babson Capital, Mr. Hermsen has analyzed and invested in traditional private placements, high yield public and private bonds, and leveraged bank loans. He has also been responsible for managing a small portfolio of distressed investments. Since 1993, he has focused on originating, analyzing, structuring and documenting mezzanine and private equity investments. He holds a B.A. from Bowdoin College and an M.B.A. from Columbia University.

Mr. Spencer is a Vice President of the Registrant and a Managing Director of Babson Capital who manages Babson Capital's Global Fund Investments Team. Mr. Spencer joined MassMutual in 1989 after three years as a corporate loan analyst at a major New England bank. He has been an officer of the Registrant since 2002. At MassMutual and then Babson Capital, Mr. Spencer has analyzed and invested in traditional private placements, high yield public and private bonds, leveraged bank loans, mezzanine debt and private equity. From 1993 to 1999, he was the lead restructuring professional at Babson Capital. Since 1999, Mr. Spencer has been focused on the origination, analysis, structuring and documentation of mezzanine and private equity investments. He holds a B.A. from Bucknell University and an M.B.A. from the State University of New York at Buffalo.

Sean Feeley is responsible for the day-to-day management of the Registrant's public high yield and investment grade fixed income portfolio. Mr. Feeley has been a Vice President of the Registrant since 2011. Mr. Feeley is a Managing Director of Babson Capital and head of the High Yield Research Team with over 22 years of industry experience in high yield bonds and loans in various investment strategies. Prior to joining Babson Capital in 2003, he was a Vice President at Cigna Investment Management in project finance and a Vice President at Credit Suisse in leveraged loan finance. Mr. Feeley holds a B.S. from Canisius College and an M.B.A. from Cornell University. Mr. Feeley is a Certified Public Accountant and a Chartered Financial Analyst.

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ITEM PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT  
9. COMPANY AND AFFILIATED PURCHASERS.

Not applicable for this filing.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable for this filing.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) The principal executive officer and principal financial officer of the Registrant evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as of a date within 90 days of the filing date of this report and based on that evaluation have concluded that such disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.
- (b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) during the Registrant's second fiscal half year that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

- (a)(1) ANY CODE OF ETHICS, OR AMENDMENTS THERETO, THAT IS THE SUBJECT OF DISCLOSURE REQUIRED BY ITEM 2, TO THE EXTENT THAT THE REGISTRANT INTENDS TO SATISFY THE ITEM 2 REQUIREMENTS THROUGH THE FILING OF AN EXHIBIT.

None.

- (a)(2) A SEPARATE CERTIFICATION FOR EACH PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER OF THE REGISTRANT AS REQUIRED BY RULE 30a-2 UNDER THE ACT.

Attached hereto as EX-99.31.1

Attached hereto as EX-99.31.2

- (a)(3) ANY WRITTEN SOLICITATION TO PURCHASE SECURITIES UNDER RULE 23c-1 UNDER THE ACT (17 CFR 270.23c-1) SENT OR GIVEN DURING THE PERIOD COVERED BY THE REPORT BY OR ON BEHALF OF THE REGISTRANT TO 10 OR MORE PERSONS.

Not applicable for this filing.

- (b) CERTIFICATIONS PURSUANT TO RULE 30a-2(b) UNDER THE ACT.

Attached hereto as EX-99.32



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): Babson Capital Corporate Investors

By: /s/ Michael L. Klofas  
Michael L. Klofas, President

Date: September 5, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Michael L. Klofas  
Michael L. Klofas, President

Date: September 5, 2012

By: /s/ James M. Roy  
James M. Roy, Vice President and  
Chief Financial Officer

Date: September 5, 2012