

SCHMITT INDUSTRIES INC
Form DEF 14A
August 27, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Schmitt Industries, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SCHMITT INDUSTRIES, INC.

2765 N.W. NICOLAI STREET

PORTLAND, OREGON 97210

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 2, 2015

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of SCHMITT INDUSTRIES, INC., an Oregon corporation (the "Company"), will be held on Friday, October 2, 2015 at 3:00 p.m., local time, at the Company's offices located at 2765 N.W. Nicolai Street, Portland, Oregon 97210 for the following purposes:

1. **Election of Directors.** To elect two director nominees named in the attached Proxy Statement to serve three-year terms expiring in 2018;
2. **Approval of Executive Compensation.** To approve, on an advisory basis, the compensation of the Company's Named Executive Officers (as defined in the Proxy Statement accompanying this Notice); and
3. **Other Business.** To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on August 17, 2015 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any postponements or adjournments thereof.

By Order of the Board of Directors

Wayne A. Case

Chairman of the Board of Directors

Portland, Oregon

August 25, 2015

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY CARD AND RETURN IT IN THE ENCLOSED PREPAID ENVELOPE, OR SUBMIT YOUR VOTING INSTRUCTIONS BY TELEPHONE OR

THROUGH THE INTERNET IF THOSE OPTIONS ARE AVAILABLE TO YOU. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.

YOUR VOTE IS IMPORTANT.

DEPENDING ON HOW YOUR SHARES ARE HELD THERE MAY BE THREE WAYS TO VOTE:

Sign, date and return your proxy card in the enclosed envelope as soon as possible, or

By internet, or

By telephone.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on October 2, 2015: The notice of annual meeting of shareholders, this proxy statement, and our annual report on Form 10-K are available at www.schmitt-ind.com.

SCHMITT INDUSTRIES, INC.

2765 N.W. Nicolai Street

Portland, Oregon 97210

(503) 227-7908

PROXY STATEMENT

for the

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 2, 2015

INTRODUCTION

General

This Proxy Statement is being furnished to the shareholders of Schmitt Industries, Inc., an Oregon corporation (the "Company" or "Schmitt"), as part of the solicitation of proxies by the Company's Board of Directors from holders of the outstanding shares of Schmitt common stock (the "Common Stock") for use at the Company's Annual Meeting of Shareholders to be held on October 2, 2015, at 3:00 p.m. local time, at the Company's offices located at 2765 N.W. Nicolai Street, Portland, Oregon 97210, and at any postponements or adjournments thereof (the "Annual Meeting"). This Proxy Statement and the enclosed proxy card are first being mailed to shareholders of Schmitt entitled to vote at the Annual Meeting on or about August 28, 2015.

Purpose of the Annual Meeting

The purpose of the meeting is to vote on the following matters:

1. **Election of Directors.** To elect two directors to serve three-year terms expiring in 2018;
2. **Approval of Executive Compensation.** To approve, on an advisory basis, the compensation of the Company's Named Executive Officers (as defined in the paragraph immediately preceding the 2015 Summary Compensation Table below); and
3. **Other Business.** To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

As of the date of this Proxy Statement, the Company is not aware of any business to come before the meeting other than the items noted above.

Solicitation, Voting and Revocability of Proxies

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The Board of Directors has fixed the close of business on August 17, 2015 as the record date for the determination of the shareholders entitled to notice of and to vote at the Annual Meeting. Accordingly, only holders of record of shares of Common Stock at the close of business on such date will be entitled to vote at the Annual Meeting, with each such share entitling its owner to one vote on all matters properly presented at the Annual Meeting. On the record date, there were approximately 71 beneficial holders of the 2,995,910 shares of Common Stock then outstanding. The presence, in person or by proxy, of a majority of the total number of outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Annual Meeting, but are not counted and have no effect on the outcome of any of the proposals to be voted upon.

If the enclosed form of proxy is properly executed and returned in time to be voted at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. *Executed but*

unmarked proxies will be voted (1) FOR the election of the two nominees to the Board of Directors and (2) FOR the approval of the compensation paid to the Company's Named Executive Officers. The Board of Directors does not know of any matters other than those described in the Notice of Annual Meeting that are to come before the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy will vote the shares represented by such proxy upon such matters as determined by a majority of the Board of Directors.

The presence of a shareholder at the Annual Meeting will not automatically revoke such shareholder's proxy. A shareholder may, however, revoke a proxy at any time prior to its exercise by filing a written notice of revocation with, or by delivering a duly executed proxy bearing a later date to, Corporate Secretary, Schmitt Industries, Inc., 2765 N.W. Nicolai Street, Portland, Oregon 97210, or by attending the Annual Meeting and voting in person. However, a shareholder who attends the Annual Meeting need not revoke a previously executed proxy and vote in person unless such shareholder wishes to do so. All valid, unrevoked proxies will be voted at the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on October 2, 2015: The notice of annual meeting of shareholders, this proxy statement, and our annual report on Form 10-K are available at www.schmitt-ind.com.

ELECTION OF DIRECTORS

At the Annual Meeting, two Directors will be elected for three-year terms expiring in 2018. Unless otherwise specified on the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the election as Director of the persons named below as nominees. The Board of Directors believes that the nominees will stand for election and will serve if elected as Director. However, if the persons nominated by the Board of Directors fail to stand for election or are unable to accept election, the number of Directors constituting the Board of Directors may be reduced prior to the Annual Meeting or the proxies may be voted for the election of such other persons as the Board of Directors may recommend.

Under the Company's Articles of Incorporation and Restated Bylaws, the Directors are divided into three classes. The term of office of only one class of Directors expires in each year, and their successors are elected for terms of three years and until their successors are elected and qualified. There is no cumulative voting for election of Directors.

Information as to Nominee and Continuing Directors

The following table sets forth the name of the Board of Directors' nominees for election as Directors and those Directors who will continue to serve after the Annual Meeting. Also set forth is certain other information with respect to each such person's age, principal occupation or employment during the past five years, the periods during which he has served as a Director of Schmitt, the expiration of his term as a Director and the positions currently held with Schmitt.

Nominees:	Age	Director Since	Expiration of Current Term	Expiration of Term for which Nominated	Position Held with Schmitt
Wayne A. Case	75	1986	2015	2018	Chairman of the Board of Directors
Maynard E. Brown	68	1992	2015	2018	Director
Continuing Directors:					
Michael J. Ellsworth	72	2006	2017		Director
James A. Fitzhenry	60	2009	2016		Director, President and Chief Executive Officer
David M. Hudson	63	2006	2016		Director

Nominees

Wayne A. Case has been Chairman of the Board since 1997. He was also the Chief Executive Officer of the Company from 1996 to 2012, President of the Company from 1986 through June 2009 and Managing Director of Schmitt Europe Ltd. from 1995 to 2009. Mr. Case brings a variety of skills and attributes to the Board of Directors, including experience in the areas of executive leadership, technology, finance, accounting, risk oversight, strategy and operations. Mr. Case holds a B.S. degree in Business and Economics from Linfield College and a M.B.A. degree from the University of Portland. He is married to Linda M. Case and is the father of David W. Case.

Maynard E. Brown, a director since 1992, resides in West Vancouver, Canada. He is a retired member of the Law Society of British Columbia. Mr. Brown has more than 25 years of direct experience in advising publicly held corporations in securities and related matters. In addition to his extensive legal experience involving public companies and corporate law matters, Mr. Brown adds considerable directorial service, including audit committee service, and experience in the areas of finance, accounting, risk oversight and strategy. He currently serves as a director for three publicly-traded companies in Canada, and is an audit committee member for two of those companies. Mr. Brown has a Bachelor of Law (LLB) degree from Dalhousie University in Halifax, Canada.

Continuing Directors

Michael J. Ellsworth was appointed as a director in April 2006. Mr. Ellsworth served as Chief Operating Officer and advisor to the Board for ADE Corporation, Westwood, Massachusetts, from 1993 to 1997. ADE is a semiconductor metrology and instrumentation company. After retirement from active management in 1997, he continued to serve as a Vice President and an advisor to the ADE Board until 2001. Mr. Ellsworth also served as President, CEO and Director of Electro Scientific Industries (NASDAQ: ESIO) from 1987 to 1992. Electro Scientific Industries is a microelectronics and semiconductor capital equipment corporation. He is presently Chairman of Motion Optics Corporation, a privately held semiconductor equipment company, and also works as a consultant to the semiconductor industry through his firm, Kinetic Technologies, Inc. where he serves as the company's President. Mr. Ellsworth brings a variety of skills and attributes to the Board of Directors, including other directorial service and experience in the areas of executive leadership, technology, finance, accounting, risk oversight, strategy and operations. Mr. Ellsworth holds a B.S. degree in Engineering Science from the University of Portland, a M.S. degree in Mechanical Engineering from Northwestern University, and an M.B.A. from the University of Portland.

James A. Fitzhenry was appointed as a director in April 2009. He was promoted to Chief Executive Officer of the Company in October 2012 and has served as President of the Company since July 2009. Prior to that, Mr. Fitzhenry had been the Company's Executive Vice President since June 2008. Before joining the Company, Mr. Fitzhenry was President of Capital Strategies Group, a firm specializing in federal government business development and government relations, which he founded in 2007. Prior to that time, Mr. Fitzhenry served for 15 years as a senior executive with FLIR Systems, Inc. (Nasdaq: FLIR). Mr. Fitzhenry brings a variety of skills and attributes to the Board of Directors, including experience in the areas of executive leadership, strategy, business development, risk oversight, finance and operations. Mr. Fitzhenry holds a B.A. degree from the University of Oregon, J.D. and M.B.A. degrees from Willamette University and is an alumnus of the Stanford Executive Institute and the Wharton School of Business Executive MBA Program.

David M. Hudson was appointed as a director in April 2006. He previously served as a director of the Company from 1996 to 2003. Mr. Hudson is a private business consultant and the managing member of Gemini Value Partners LLC. Mr. Hudson was the founder and President of Hudson Capital Management, which through a merger became the Crabbe Hudson Group. In 1994, he co-founded Coldstream Capital Management, Inc. Mr. Hudson brings a variety of skills and attributes to the Board of Directors, including other directorial service and experience in the areas of executive leadership, finance, strategy and operations. Mr. Hudson holds a B.S. degree in Mathematics from the University of Oregon.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends that shareholders vote FOR the election of its nominees for Director. If a quorum is present, the Company's Restated Bylaws provide that Directors are elected by a plurality of the votes cast by the shares entitled to vote.

CORPORATE GOVERNANCE AND RELATED MATTERS

Shareholder Communications with the Board of Directors

Any shareholder may contact the Board of Directors in writing by addressing the communication to the Board of Directors of Schmitt Industries, Inc., c/o Corporate Secretary, 2765 N.W. Nicolai Street, Portland, Oregon 97210.

Our Corporate Secretary has undertaken to forward all written shareholder correspondence to the appropriate director(s), except for spam, junk mail, mass mailings, customer complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material. Our Corporate Secretary will determine, in her discretion, whether any response is necessary and may forward certain correspondence, such as customer-related inquiries, elsewhere within our company for review and possible response. Comments or questions regarding our accounting, internal controls or auditing matters will be referred to the Audit Committee. Comments or questions regarding the nomination of directors will be referred to the Nominating Committee. Comments or questions regarding executive compensation will be referred to the Compensation Committee. Comments or questions regarding other corporate governance matters will be referred to the appropriate Committee.

Board Leadership Structure and Role in Risk Oversight

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. The Company faces a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of risks the Company faces, while the Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the Board meets regularly with management to discuss strategy and the risks facing the Company. Senior management attends the Board of Directors meetings and is available to address any questions or concerns raised by the Board of Directors on risk management and any other matters. The Chairman of the Board and independent members of the Board of Directors work together to provide strong, independent oversight of the Company's management and affairs through its standing committees and, when necessary, special meetings of independent directors.

The Board of Directors does not have a policy on whether or not the roles of Chairman of the Board and Chief Executive Officer should be separate. The Board of Directors believes that it should be free to make a choice from time to time in any manner that is in the best interests of the Company and the shareholders. Currently, the Company separates the roles of Chairman and Chief Executive Officer, with Mr. Case serving as the Chairman of the Board and Mr. Fitzhenry serving as Chief Executive Officer. The Board of Directors believes that this separation is appropriate as it allows the Chief Executive Officer to focus primarily on leading the day-to-day operations of the Company, while the Chairman can focus on leading the Board of Directors in its consideration of strategic issues and monitoring corporate governance and other shareholder issues.

The Board of Directors does not have a lead independent director.

Given our current size and operating history, we believe that the Board's existing leadership structure is appropriate. The Board will continue to evaluate its role and the appropriateness of its structure in the future.

Meetings

During Fiscal 2015, the Company's Board of Directors held four meetings. Each incumbent Director attended 75% or more of the aggregate of the total number of meetings held by the Board of Directors and the total number of meetings held by all committees of the Board on which he served during the period that he served. While the Company does not have a formal policy with regard to Directors' attendance at annual meetings, all members of the Company's Board of Directors attended the 2014 Annual Meeting of Shareholders.

Board of Director Committees

The Board of Directors has standing Audit, Compensation and Nominating Committees. The Audit, Compensation and Nominating Committees operate pursuant to written charters. The charters may be viewed online at www.schmitt-ind.com. Each committee may obtain advice and assistance from internal or external legal, accounting and other advisors. The members of the committees, each of whom has been determined to be independent as defined by applicable rules of the Securities and Exchange Commission (the SEC) and the NASDAQ Stock Market, are identified in the following table. Neither Mr. Case nor Mr. Fitzhenry is independent as defined by applicable SEC and NASDAQ Stock Market rules. Mr. Case serves as the Company's Chairman of the Board, and Mr. Fitzhenry serves as its President and Chief Executive Officer.

Name	Audit	Compensation	Nominating
Maynard E. Brown	X	Chair	X
Michael J. Ellsworth	X	X	Chair
David M. Hudson	Chair	X	X

Audit Committee. The Audit Committee currently consists of Messrs. Brown, Ellsworth and Hudson. Mr. Hudson chairs the committee. The Board has determined all current members of the Audit Committee are independent under the rules of the SEC and the NASDAQ Stock Market, and each of them is able to read and understand fundamental financial statements. The Board has determined that Mr. Hudson qualifies as an audit committee financial expert as defined by the rules of the SEC and the NASDAQ Stock Market. The Audit Committee is responsible for, among other things, the engagement, compensation and oversight of the Company's independent certified public accountants, the review of the scope and results of the audit, and the review and evaluation of accounting procedures and internal controls within the Company. The Audit Committee operates pursuant to a written charter which is available on the Company's website (www.schmitt-ind.com). The Audit Committee held four meetings in Fiscal 2015.

Compensation Committee. The Compensation Committee currently consists of Messrs. Brown, Ellsworth and Hudson. Mr. Brown chairs the committee. The Board has determined that all members of the Compensation Committee are independent under the rules of the SEC and the NASDAQ Stock Market. The Compensation Committee reviews executive compensation, establishes executive compensation levels, and administers the Company's stock option plans. The Compensation Committee operates pursuant to a written charter which is available on the Company's website (www.schmitt-ind.com). The Compensation Committee held one meeting in Fiscal 2015.

Nominating Committee. The Nominating Committee currently consists of Messrs. Brown, Hudson and Ellsworth. Mr. Ellsworth chairs the committee. The Board has determined that all members of the Nominating Committee are independent under the rules of the SEC and the NASDAQ Stock Market. The Nominating Committee assists the Board in director selection, identifying and assessing each candidate based upon his or her background, skills and experience and in light of the needs of the Board of Directors at that time. The committee operates pursuant to a written charter which is available on the Company's website (www.schmitt-ind.com). The Nominating Committee held one meeting in Fiscal 2015.

Director Qualifications

There are certain minimum qualifications for Board membership that director candidates should possess, including strong values and discipline, high ethical standards, a commitment to full participation on the Board and its committees, and relevant career experience. The Nominating Committee also evaluates candidates for Board membership based on individual skills, experience and demonstrated abilities that help meet the current needs of the Board, such as experience or expertise in some of the following areas: global business, science and technology, finance and/or economics, competitive positioning, corporate governance, public affairs, and experience as an executive officer. Other factors that are considered include independence of thought, meeting applicable director independence standards (where independence is desired) and absence of conflicts of interest. The Nominating Committee may modify the minimum qualifications and evaluation guidelines from time to time as it deems appropriate. The Nominating Committee does not have a formal policy with respect to diversity; however, the Board of Directors and the Nominating Committee believe that it is essential that Board members represent diverse viewpoints. In the context of the existing composition and needs of the Board and its committees, the Nominating Committee considers various factors, including, but not limited to, independence, age, diversity (which, in this context, means race, ethnicity and gender), integrity, skills, financial and other expertise, breadth of experience and knowledge about our business or industry.

Shareholder Nominations for Director and Related Procedures

The Nominating Committee will consider recommendations by shareholders of individuals to consider as candidates for election to the Board of Directors. Any such recommendations should be submitted to Schmitt Industries, Inc., c/o Corporate Secretary, 2765 N.W. Nicolai Street, Portland, Oregon 97210. Historically, the Company has not had a formal policy concerning shareholder recommendations to the Nominating Committee (or its predecessors) because it believes that the informal consideration process in place to date, based in part on the minimum criteria as described in Director Qualifications above, has been adequate given that the Company has never received any Director recommendations from shareholders. The absence of such a policy does not mean, however, that a recommendation would not have been considered had one been received. The Nominating Committee intends to periodically review whether a more formal policy should be adopted.

The Company's Restated Bylaws permit shareholders to make nominations for the election of directors, if such nominations are made pursuant to timely notice in writing to the Company's Secretary. To be timely, notice must be delivered to, or mailed to and received at, the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the date of the meeting, provided that at least 60 days notice or prior public disclosure of the date of the meeting is given or made to shareholders. If less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be received by the Company not later than the close of business on the tenth business day following the date on which such notice of the meeting was mailed or such public disclosure was made. Public disclosure of the date of the Annual Meeting was made by the issuance of a press release on August 20, 2015. A shareholder's notice of nomination must also set forth certain information specified in Section 2.3.2 of the Company's Restated Bylaws concerning each person the shareholder proposes to nominate for election and the nominating shareholder.

Director Compensation

The Company's general philosophy towards Directors' compensation is that Directors should be paid fairly for the work, time and effort required to serve on the Board of Directors, and that Directors' compensation should be competitive relative to comparable companies. The Board of Directors believes that it is appropriate for all of the non-employee Directors to receive a monthly retainer, and for the Chairman and members of the Board committees to receive additional compensation on a per meeting basis for their services in those positions. A non-employee Director who does not serve on any committee may receive a monthly retainer that is greater than the monthly retainer for committee members in recognition of efforts made outside of committee and Board meetings.

Under a policy adopted by the Board of Directors, Messrs. Brown, Ellsworth and Hudson are paid a monthly retainer of \$500. Each non-employee Director is paid a \$1,500 fee for each Board meeting attended either in person or by phone. The chairman and members of the Audit Committee each receive a fee of \$3,500 and \$2,500 per quarter, respectively; the chairman and members of the Compensation Committee each receive a fee of \$1,000 for each meeting attended either in person or by phone; and the chairman and members of the Nominating Committee each receive a fee of \$500 for each meeting attended either in person or by phone. Non-employee Directors also receive either monthly compensation of \$500 or, at the non-employee Director's option, an annual award of nonstatutory options to purchase 5,000 shares of common stock pursuant to the Company's Stock Option Plan. As of May 31, 2015, all outside directors had elected monthly compensation. Cash fees paid to the non-employee Directors are recommended annually by the Compensation Committee for Board approval and paid quarterly beginning on the date the non-employee Director is elected by shareholders at our annual meeting of shareholders. The Company also reimburses travel and lodging expenses incurred in connection with attending meetings of the Board and its committees.

2015 INDEPENDENT DIRECTORS COMPENSATION TABLE

Name	Fees	
	Earned or Paid in Cash	Total
Maynard E. Brown	\$ 29,500	\$ 29,500
Michael J. Ellsworth	\$ 29,500	\$ 29,500
David M. Hudson	\$ 33,500	\$ 33,500

Corporate Governance

As part of the Schmitt's Code of Ethics and Business Conduct, the Company has adopted a code of ethics that applies to all officers and employees, including the Company's principal executive, financial and accounting officers.

Schmitt maintains a Corporate Governance page on its website that includes key information about its corporate governance initiatives, including Schmitt's Code of Ethics and Business Conduct and charters for the Audit, Compensation and Nominating Committees of the Board of Directors. The Corporate Governance page can be found at www.schmitt-ind.com within the Investor Relations segment of the website.

Schmitt's policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of the NASDAQ Stock Market and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including: (1) a majority of the Board members are independent of Schmitt and its management; (2) all members of the Board committees—the Audit, Compensation and Nominating Committees—are independent; (3) Schmitt has a Code of Ethics and Business Conduct that is monitored by its Corporate Secretary, who acts as the Company's ethics officer; and (4) the charters of the Audit, Compensation and Nominating Committees of the Board clearly establish their respective roles and responsibilities.

MANAGEMENT
Executive Officers

The executive officers of the Company are as follows:

Name	Age	Position
Wayne A. Case	75	Chairman of the Board of Directors
James A. Fitzhenry	60	President, Chief Executive Officer and Director
David W. Case	51	Vice President, Operations
Linda M. Case	70	Corporate Secretary
Ann M. Ferguson	46	Chief Financial Officer and Treasurer

Information concerning the principal occupations during the last five years of Wayne A. Case and James A. Fitzhenry is set forth under Board of Directors. Information concerning the principal occupations during the last five years of the executive officers of the Company who are not also Directors of the Company is set forth below.

David W. Case has been Vice President of Operations of the Company since 1996, and before then was Production Manager. He has been responsible for many of the design features of the SBS Dynamic Balance System. His duties include manufacturing, engineering and quality assurance. Mr. Case holds a B.S. degree in Economics from the University of Oregon. Mr. Case is the son of Wayne A. Case.

Linda M. Case has been Corporate Secretary of the Company since 1993 and before then was Office Manager. Ms. Case holds a B.A. degree in Sociology and Psychology from Linfield College. Ms. Case is married to Wayne A. Case.

Ann M. Ferguson has been Chief Financial Officer and Treasurer of the Company since April 2013. Ms. Ferguson is a certified public accountant (inactive) with over 20 years of experience in public accounting. Beginning in 1991, she served in various roles of increasing responsibility at Deloitte & Touche LLP. Most recently, from 2006 to 2012, Ms. Ferguson served as lead audit partner for two significant manufacturing clients, including one publicly traded company, as well as several other clients in other industries. Ms. Ferguson holds a B.S. degree in Business with an emphasis in accounting from the University of Oregon.

EXECUTIVE COMPENSATION

The Board of Directors has delegated the responsibility for fixing the compensation of the Named Executive Officers (as defined in the paragraph immediately preceding the Summary Compensation Table below) to the Compensation Committee. The Compensation Committee consists entirely of independent, non-employee Directors. No former employees of the Company serve on the Compensation Committee. The Compensation Committee approves all compensation and awards to executive officers, which include the President and Chief Executive Officer, Chief Financial Officer and Treasurer, Vice President for Operations and Corporate Secretary.

The Compensation Committee annually reviews the performance and compensation of the executive officers, or more often if necessary, and establishes their compensation. Wayne A. Case and/or James A. Fitzhenry may participate in certain discussions with the Compensation Committee and the Company's Board of Directors concerning executive officer compensation, but Mr. Case does not participate in the decisions with respect to his own, David W. Case's or Linda M. Case's compensation. Mr. Fitzhenry does not participate in decisions with respect to his own compensation.

The Compensation Committee has not prepared tally sheets for executive officers because the compensation structure for these executive officers has consisted primarily of base salary, cash bonuses, and stock options and

has not included many of the hidden costs (such as retirement benefits, perquisites and deferred compensation plans) that tally sheets are typically designed to reveal. Similarly, because of the overall size of the Company and the small number of executive officers, the Compensation Committee has not deemed it necessary to retain outside compensation consultants or conduct formal internal or external pay equity studies.

The key components of the Company's compensation program are base salary, personal performance bonuses and potential long-term compensation through stock options. These components are administered with the goal of providing total compensation that is competitive in the marketplace, rewards successful financial performance and aligns executive officers' interests with those of shareholders. The Company generally does not adhere to rigid formulas or necessarily react to short-term changes in business performance in determining the amount and mix of compensation elements for our executives, although changes in business performance do affect individual performance bonus awards.

The Company's executive compensation programs are designed to attract, retain, motivate and appropriately reward its executive officers, as well as to align the interests of executive officers with those of shareholders of the Company. The objectives of the Company's compensation programs are to:

provide competitive compensation opportunities that attract and retain top executives;

inspire the executive team to achieve superior performance in order to deliver results above the Company's business plan and those of its peers; and

continue to align the interests of executives and shareholders through the use of long-term and short-term incentives, while effectively managing dilution.

Compensation levels should be sufficiently competitive to attract and retain the talent needed

The Company's overall compensation levels are designed to attract and retain the type of talent needed to enable the Company to achieve and maintain a leadership position in the businesses in which it competes.

Compensation should be related to performance

In general, the Company's compensation policy is designed to reward the achievement of individual and company objectives. The Company has followed a practice of linking executive compensation to individual levels of performance, as well as to the performance of the Company as a whole. Cash bonuses are tied to individual performance, as well as to the performance of the Company. In addition, the value of long-term incentive compensation (stock options) is tied to corporate performance over the long term.

Incentive compensation should strike a balance between short-term and long-term performance

The Company's compensation policy is designed to focus management on achieving strong short-term (annual) performance objectives as well as ensuring that the necessary steps are taken to achieve long-term success and profitability. To reward a balanced approach, the Company uses both short-term performance bonuses and long-term incentives in structuring the compensation of its executive officers.

Setting Executive Compensation

The Compensation Committee awarded Fiscal 2015 compensation to the Named Executive Officers based on its review and analysis of their positions, responsibilities and performance as well as their anticipated responsibilities and potential contributions to growth in shareholder value. In establishing the compensation of the Named Executive Officers, the Committee based the amounts primarily on the individual performance of each Named Executive Officer in recent periods, and each Named Executive Officer's level of responsibility for the Company's key objectives and potential for future responsibility and promotion. The Committee also examined the outstanding stock options held by such executive officer for the purpose of considering the retention value of additional equity awards.

Because base compensation, annual cash bonuses, and equity awards are such basic elements of compensation within the Company's industry, as well as the high tech and software industries in general, and are generally expected by employees, the Committee believes that these components must be included in the Company's compensation mix in order for the Company to compete effectively for talented executives.

The Company has historically used stock options as an element of executive compensation for several reasons. First, stock options facilitate retention of executives. Stock options will provide a return to the executive only if he or she remains in the Company's employ. Second, stock options align executive compensation with the interests of the Company's shareholders and thereby focus executives on increasing value for the shareholders. Third, stock options are performance based. Stock options will provide a return to executives only to the extent that the market price of the Company's common stock appreciates over the option term. Fourth, stock options create incentive for increases in shareholder value over a longer term. In determining the number of options to be granted to executives, the Committee takes into account the individual's position, scope of responsibility, ability to affect profits and shareholder value, the individual's historic and recent performance, and the estimated value of stock options at the time of grant.

The Company does not believe there are risks arising from its compensation policies and practices for employees that are reasonably likely to have a material adverse effect on it.

Employment Agreements

The Company does not have employment agreements, written or unwritten, with its Named Executive Officers.

Base Salary

The Fiscal 2015 base salary for each Named Executive Officer was set on the basis of personal performance, skill set and experience, position criticality, the salary levels in effect for comparable positions with other companies in the industry, and internal comparability considerations.

Benefits and Perquisites

Benefits are established based upon an assessment of competitive market factors and a determination of what is needed to attract and retain talent. The primary benefits received by the Company's Named Executive Officers are the same as for all other employees and include participation in the Company's health, dental and vision plans, 401(k) plan and the Company's disability and life insurance plans. Wayne A. Case is also provided with use of an automobile.

Annual Cash Performance Compensation

Our executives' performance is reviewed annually in October, and executives may receive annual cash bonuses, generally based upon the Compensation Committee's evaluation of individual performance and the Company's performance generally. These executives are responsible for establishing strategic direction or are responsible for major functional or operating units and have an impact on bottom-line results. During Fiscal 2015, no executive officer was paid a cash bonus.

Stock Options

In Fiscal 2015, our Named Executive Officers received a total of 65,000 stock options grants as follows: James A. Fitzhenry 25,000; Ann M. Ferguson 15,000; David W. Case 15,000 and Wayne A. Case 10,000.

The following table has been reviewed and approved by the Compensation Committee and sets forth amounts of cash and certain other compensation paid by the Company to Wayne A. Case, Chairman of the

Board; James A. Fitzhenry, President and Chief Executive Officer; Ann M. Ferguson, Chief Financial Officer and Treasurer; and David W. Case, Vice President of Operations (the Named Executive Officers) during Fiscal 2015. No other executive officer was paid salary and bonus in excess of \$100,000 in Fiscal 2015.

2015 SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary	Option Awards(1)	All Other Compensation(2)	Total
Wayne A. Case Chairman	2015	\$ 90,005	\$ 5,102	\$ 2,782	\$ 97,889
	2014	91,774		2,782	94,556
James A. Fitzhenry Director, President & Chief Executive Officer	2015	208,339	23,327		231,666
	2014	200,001	26,964		226,965
Ann M. Ferguson Chief Financial Officer and Treasurer	2015	171,671	22,369		194,038
	2014	160,005	13,482		173,487
David W. Case Vice President of Operations	2015	169,508	10,295	2,100	181,903
	2014	166,170	6,741	2,100	175,011

- (1) The amounts shown reflect the fair value of the entire option award in the year awarded as calculated using the assumptions for financial reporting purposes in accordance with ASC Topic 718. Assumptions made in the calculation of these amounts are included in Note 7 to the Company's Consolidated Financial Statements for the fiscal year ended May 31, 2015 included on Form 10-K filed with the SEC on August 12, 2015.
- (2) Amounts include the Company's match to the Company's 401(k) Profit Sharing Plan & Trust made on the same basis as provided to all Company employees. For Fiscal Year 2015, amount paid to Wayne A. Case includes reimbursement of insurance expenses in the amount of \$2,782.

STOCK OPTION PLANS AND OPTION GRANTS IN FISCAL 2015

The Board of Directors adopted the 2014 Equity Incentive Plan (2014 Plan) on August 19, 2014, the 2004 Stock Option Plan (2004 Plan) in August 2004 and the 1995 Stock Option Plan (1995 Plan) in December 1995, which was amended in August 1996 and restated in August 1998. The 2014 Plan provides for the grant of (i) stock options (both nonqualified and incentive stock options), (ii) stock appreciation rights or SARs, (iii) restricted stock, (iv) restricted stock units or RSUs, (v) performance awards, and (vi) other share-based awards. An incentive stock option (NSO) granted under the 2014 Plan is intended to qualify as an incentive stock option (ISO) and a nonstatutory stock option granted under the 2014 Plan is not intended to qualify as an ISO. An option granted under the 2004 Plan and/or 1995 Plan might be either an ISO, or an NSO. ISOs may be granted only to employees and members of the Board of Directors of the Company and are subject to certain limitations, in addition to restrictions applicable to all stock options under the 2004 Plan or 1995 Plan. Options not meeting these limitations will be treated as NSOs. The purchase price of ISOs is fair market value on the date of grant; the purchase price of NSOs may vary from fair market value. Vesting is at the discretion of the Compensation Committee of the Board of Directors, but generally is either 50% at grant date and 16.7% on each anniversary thereafter; 25% at grant date and 25% on each anniversary thereafter or 0% at grant date and 33% on each anniversary thereafter. The Company initially reserved 400,000 shares for issuance under the 1995 Plan and 300,000 shares for issuance under the 2004 Plan and the 2014 Plan. The 1995 Plan expired in December 2005 and no additional options may be issued under the 1995 Plan, although expiration of the 1995 Plan did not affect the rights of persons who received stock grants under the 1995 Plan. The 2004 Plan expired in August 2015 and no additional options may be issued under the 2004 Plan, although expiration of the 2004 Plan did not affect the rights of persons who received stock grants under the 2004 Plan. Stock-based compensation recognized in the Company's Consolidated Financial Statements for the years ended May 31, 2015 includes compensation cost for stock-based awards granted.

2015 OUTSTANDING EQUITY AWARDS

The following table sets forth, as to the Named Executive Officers, certain information concerning the number of shares subject to both exercisable and unexercisable stock options as of the end of Fiscal 2015.

Name and Principal Position	Number of Shares Underlying Unexercised	Number of Shares Underlying Unexercised	Option Exercise Price (\$)	Option Expiration Date
	Options (#) Exercisable	Options (#) Unexercisable		
Wayne A. Case Chairman of the Board of Directors	30,000	10,000	2.82 3.65	10/14/2024 5/31/2021
James A. Fitzhenry Director, President and Chief Executive Officer	6,667 30,000 50,000	20,000 25,000 13,333	2.53 2.82 2.53 3.65 6.25	10/4/2023 10/14/2024 10/4/2023 5/31/2021 4/8/2023
Ann M. Ferguson Chief Financial Officer and Treasurer	3,334 16,667	15,000 6,666 8,333	2.82 2.53 2.90	10/14/2024 10/4/2023 4/8/2023
David W. Case Vice President of Operations	1,667 25,000	15,000 3,333	2.82 2.53 3.65	10/14/2024 10/4/2023 5/31/2021

STOCK OWNED BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock as of August 17, 2015 by (i) each person who is known to the Company to own beneficially more than 5% of the Company's outstanding Common Stock, (ii) each of the Company's Directors, (iii) the Company's Named Executive Officers and (iv) all Directors and executive officers as a group. The information in this table is based solely on statements in filings with the SEC or other reliable information, and assumes that 2,995,910 shares were issued and outstanding on August 17, 2015.

	Shares Beneficially Owned(1)	
	Number	Percent
Directors and Executive Officers(2)		
James A. Fitzhenry(3)	227,667	7.2%
Wayne A. Case(4)	165,244	5.4%
David W. Case(5)	106,263	3.5%
Maynard E. Brown(6)	10,694	*
David M. Hudson(7)	10,693	*
Michael J. Ellsworth(8)	18,900	*
Ann M. Ferguson(9)	20,001	*
All directors and executive officers as a group (eight persons)(10)	559,462	17.5%
5% Shareholders		
Walter Brown Pistor, 2415 Kalama River Road, Kalama, WA 98625(11)	509,331	17.0%
Monongahela Capital Management, 800 Cranberry Woods Drive, Ste 200, Cranberry Township, PA 16066(12)	380,500	12.7%
Buttonwood Tree Value Partners L.P., 2801 Bristol Street, Ste 100, Costa Mesa, CA 92626(13)	160,000	5.3%

* Less than 1%.

- (1) For the purpose of this table, beneficial ownership includes securities that can be acquired by a person within 60 days from August 17, 2015 upon the exercise of options. Accordingly, each person's percentage of beneficial ownership is determined by assuming that options held by such person (but not those held by any other person) and that are exercisable within 60 days from August 17, 2015 have been exercised. Unless otherwise noted, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.
- (2) The address of each person is care of Schmitt Industries, Inc., 2765 N.W. Nicolai Street, Portland, Oregon 97210.
- (3) Includes 141,000 shares held as of August 17, 2015 and 86,667 shares subject to options that are exercisable within 60 days of August 17, 2015.
- (4) Includes 19,125 shares held by Mr. Case in an individual retirement account and includes 101,119 shares owned by the Linda M. Case Family Trust. Ms. Case has primary, and Mr. Case secondary and contingent, voting and investment power with respect to the shares in the Linda M. Case Family Trust. Also includes (i) 30,000 shares subject to options held by Mr. Case that are exercisable within 60 days of August 17, 2015 and (ii) 15,000 shares subject to options held by Linda M. Case Family Trust that are exercisable within 60 days of August 17, 2015.
- (5) Includes 79,596 shares held as of August 17, 2015 and 26,667 shares subject to options that are exercisable within 60 days of August 17, 2015.
- (6) Includes 694 shares held as of August 17, 2015 and 10,000 shares subject to options that are exercisable within 60 days of August 17, 2015.

- (7) Includes 693 shares held as of August 17, 2015 and 10,000 shares subject to options that are exercisable within 60 days of August 17, 2015.

- (8) Includes 8,900 shares held as of August 17, 2015 and 10,000 shares subject to options that are exercisable within 60 days of August 17, 2015.

- (9) Includes 20,001 shares subject to options that are exercisable within 60 days of August 17, 2015.

- (10) Includes 208,335 shares subject to options that are exercisable within 60 days of August 17, 2015.

- (11) Information reported herein is made in reliance on a Schedule 13D filed by Mr. Pistor.

- (12) Information reported herein is made in reliance on a Schedule 13GA filed by Monongahela Capital Management.

- (13) Information reported herein is made in reliance on a Schedule 13G filed by Buttonwood Tree Value Partners L.P.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under federal securities laws, the Company's directors, its officers and any persons holding more than 10% of the Company's Common Stock (10% holders) are required to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of shares of Common Stock and other equity securities of the Company. Specific filing deadlines of these reports have been established and the Company is required to disclose in this Proxy Statement any failure to file by these dates during Fiscal 2015. To the best of the Company's knowledge, all of these filing requirements have been satisfied. In making this statement, the Company has relied solely on written representations of its directors, officers and 10% holders and copies of the reports that they filed with the SEC.

INFORMATION CONCERNING THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has appointed Moss-Adams LLP to act as independent auditors for the Company for the fiscal year ending May 31, 2016. Moss-Adams served as the Company's independent auditors for the fiscal year ended May 31, 2015. Representatives of Moss-Adams are expected to attend the 2015 Annual Meeting. They will have the opportunity to make a statement if they so desire, and will be available to respond to appropriate questions from shareholders.

Audit Committee Report**

The Audit Committee has reviewed and discussed the audited financial statements with the Company's management and has discussed with Moss-Adams, the Company's independent auditors, the matters required to be discussed by PCAOB Auditing Standards No. 16, *Communications with Audit Committees*. The Audit Committee also has received the written disclosures and the letter from Moss-Adams required by applicable requirements of the Public Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed the independence of Moss-Adams with that firm. Based upon the foregoing, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited financial statements of the Company for the fiscal year ended May 31, 2015 be included in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2015, for filing with the SEC. Each member of the Audit Committee is an independent director as defined by SEC and NASDAQ Stock Market rules, as such section may be modified or supplemented.

AUDIT COMMITTEE

Maynard E. Brown, Michael J. Ellsworth and David M. Hudson

Audit and Related Fees

For the fiscal years ended May 31, 2015 and May 31, 2014, Moss-Adams and their affiliates billed, or have estimated they will bill, a total of \$120,500 and \$120,500, respectively, for their audits, and fees reasonably related to the performance of the audits of the Company's annual consolidated financial statements for those fiscal years; review of financial statements contained in the Company's Forms 10-Q in those fiscal years; and services that are normally provided by the accountants in connection with statutory and regulatory filings or engagements for those fiscal years.

Tax Fees

In the fiscal years ended May 31, 2015 and May 31, 2014, Moss-Adams and their affiliates billed the Company \$2,564 and \$2,613, respectively, for tax compliance, tax advice and tax planning.

All Other Fees

In the fiscal years ended May 31, 2015 and May 31, 2014, Moss-Adams billed the Company \$0 and \$3,500, respectively, for services other than those already disclosed above.

** The report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under either the Securities Act of 1933, as amended (the Securities Act), or the Securities Exchange Act of 1934, as amended (the Exchange Act), except to the extent that the Company specifically incorporates such report by reference; and further, such report shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services as allowed by law or regulation. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specifically approved amount. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval and the fees incurred to date. The Audit Committee, or one of its members to whom authority has been delegated by the Audit Committee, may also pre-approve particular services on a case-by-case basis. The Audit Committee, or one of its members to whom authority had been delegated, pre-approved all of the Company's audit fees, audit-related fees, tax fees, and all other fees for services by the independent auditors during Fiscal 2015 and Fiscal 2014.

ADVISORY VOTE ON THE APPROVAL OF EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Section 14A of the Exchange Act entitle the Company's shareholders to vote to approve, on an advisory basis, the compensation of the Company's Named Executive Officers as disclosed in this Proxy Statement pursuant to the SEC's rules.

The Company's executive compensation programs are designed to (1) attract and retain executive officers, (2) reward the achievement of the Company's short-term and long-term performance goals, (3) establish an appropriate relationship between executive pay and short-term and long-term performance, and (4) align executive officers' interests with those of the Company's shareholders. Under these programs, the Company's executive officers are rewarded for the achievement of Company objectives and the realization of increased shareholder value. Please read the section herein entitled "Executive Compensation" for additional details about the Company's executive compensation, including information about the Fiscal 2015 compensation of the Company's Named Executive Officers.

The Compensation Committee continually reviews the compensation programs for the Company's executive officers to ensure they achieve the desired goals of aligning the Company's executive compensation structure with the interests of the Company's shareholders and current market practices.

The Company is asking shareholders to indicate their support for the Company's Named Executive Officer compensation as disclosed in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives the Company's shareholders the opportunity to express their views on the Company's executive compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of the Company's named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, the Company asks its shareholders to vote "FOR" the following resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the compensation tables and narrative discussion, is hereby APPROVED.

The say-on-pay vote is advisory, and therefore not binding on the Company. The Company's Board of Directors and Compensation Committee value the opinions of the Company's shareholders and to the extent there is any significant vote against the Named Executive Officer compensation as disclosed in this Proxy Statement, the Company will consider the concerns of the shareholders and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends that shareholders vote FOR the approval of the compensation paid to the Company's Named Executive Officers. If a quorum is present, a majority of the votes cast by shares entitled to vote is required to approve this proposal.

DATE FOR SUBMISSION OF SHAREHOLDER PROPOSALS

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, some shareholder proposals may be eligible for inclusion in the Company's 2016 Proxy Statement. Any such proposal must be received by the Company not later than April 22, 2016. Shareholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of the applicable securities law. The submission of a shareholder proposal does not guarantee that it will be included in the Company's Proxy Statement. Alternatively, under the Company's Restated Bylaws, a proposal or nomination that a shareholder does not seek to include in the Company's Proxy Statement pursuant to Rule 14a-8 may be delivered to the Secretary of the Company not less than 60 days nor more than 90 days prior to the date of an Annual Meeting, unless notice or public disclosure of the date of the Annual Meeting occurs less than 60 days prior to the date of such Annual Meeting, in which event, shareholders may deliver such notice not later than the 10th day following the day on which notice of the date of the Annual Meeting was mailed or public disclosure thereof was made. A shareholder's submission must include certain specified information concerning the proposal or nominee, as the case may be, and information as to the shareholder's ownership of common stock of the Company. Proposals or nominations not meeting these requirements will not be entertained at the Annual Meeting. If the shareholder does not also comply with the requirements of Rule 14a-4(c)(2) under the Securities Exchange Act of 1934, the Company may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any such proposal or nomination submitted by a shareholder.

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors does not know of any other matters to be presented for action by the shareholders at the 2015 Annual Meeting. If, however, any other matters not now known are properly brought before the Annual Meeting, the persons named in the accompanying proxy will vote such proxy in accordance with the determination of a majority of the Board of Directors.

COST OF SOLICITATION

The cost of soliciting proxies will be borne by the Company. In addition to use of the mails, proxies may be solicited personally or by telephone by Directors, officers and employees of the Company, who will not be specially compensated for such activities. Also, the Company may retain and compensate an outside firm to assist in obtaining proxies from brokers and nominees of shareholders for the Annual Meeting. Such solicitations may be made personally, or by mail, facsimile, telephone, telegraph or messenger. The Company will also request persons, firms and companies holding shares in their names or in the name of their nominees, which are beneficially owned by others, to send proxy materials to and obtain proxies from such beneficial owners. The Company will reimburse such persons for their reasonable expenses incurred in that connection.

ADDITIONAL INFORMATION

A copy of the Company's Annual Report to Shareholders for Fiscal 2015 accompanies this Proxy Statement. The Company is required to file an Annual Report on Form 10-K for its fiscal year ended May 31, 2015 with the SEC. Shareholders may obtain, free of charge, a copy of the Form 10-K (without exhibits) by writing to Corporate Secretary, Schmitt Industries, Inc., 2765 N.W. Nicolai Street, Portland, Oregon 97210.

By Order of the Board of Directors

Wayne A. Case
Chairman of the Board of Directors

Portland, Oregon

August 25, 2015

"2" face="Times New Roman" style="font-size:1.0pt;">

\$

1,651,365

Blount, Inc.

341,288

Term Loan, 7.09%, Maturing August 9, 2010

339,013

Doncasters (Dunde HoldCo 4 Ltd.)

475,000

Term Loan, Maturing July 13, 2015 (3)

475,000

475,000

Term Loan, Maturing July 13, 2015 (3)

475,000

GBP

500,000

Term Loan, Maturing January 13, 2016 (3)

1,016,025

Euramax International, Inc.

604,965

Term Loan, 8.38%, Maturing June 28, 2012

579,002

501,316

Term Loan, 13.36%, Maturing June 28, 2013

469,357

248,684

Term Loan, 13.36%, Maturing June 28, 2013

232,831

GenTek, Inc.

512,432

Term Loan, 7.36%, Maturing February 25, 2011

501,863

Goodman Global Holdings, Inc.

884,814

Term Loan, 7.13%, Maturing December 23, 2011

864,906

ISS Holding A/S

EUR

147,368

Term Loan, 6.16%, Maturing December 31, 2013

197,237

EUR

1,052,632

Term Loan, 6.16%, Maturing December 31, 2013

1,408,835

Jarden Corp.

2,161,477

Term Loan, 7.11%, Maturing January 24, 2012

2,119,598

1,217,997

Term Loan, 7.11%, Maturing January 24, 2012

1,194,651

Johnson Diversey, Inc.

1,680,408

Term Loan, 7.86%, Maturing December 16, 2011

1,621,593

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		Polymer Group, Inc.	
\$	2,536,375	Term Loan, 7.61%, Maturing November 22, 2012	\$ 2,485,647
		RBS Global, Inc.	
296,250		Term Loan, 7.64%, Maturing July 19, 2013	282,178
		Rexnord Corp.	
1,284,836		Term Loan, 7.86%, Maturing July 19, 2013	1,223,806
		RGIS Holdings, LLC	
119,048		Term Loan, 0.00%, Maturing April 30, 2014 (2)	116,667
2,380,952		Term Loan, 7.86%, Maturing April 30, 2014	2,333,333
			\$ 19,587,907
Containers and Glass Products	4.9%		
		Berry Plastics Corp.	
\$	1,895,250	Term Loan, 7.36%, Maturing April 3, 2015	\$ 1,783,565
		Bluegrass Container Co.	
376,200		Term Loan, 7.60%, Maturing June 30, 2013	368,833
1,257,300		Term Loan, 7.60%, Maturing June 30, 2013	1,232,678
284,848		Term Loan, 10.32%, Maturing December 30, 2013	281,110
890,152		Term Loan, 10.32%, Maturing December 30, 2013	878,468
		Consolidated Container Co.	
1,000,000		Term Loan, 10.83%, Maturing September 28, 2014	892,500
		Crown Americas, LLC	
618,750		Term Loan, 7.11%, Maturing November 15, 2012	609,469
		Graham Packaging Holdings Co.	
4,239,375		Term Loan, 7.63%, Maturing October 7, 2011	4,045,072
		Graphic Packaging International, Inc.	
5,746,125		Term Loan, 7.34%, Maturing May 16, 2014	5,639,822
		IPG (US), Inc.	
1,954,483		Term Loan, 8.08%, Maturing July 28, 2011	1,905,621
		JSG Acquisitions	
1,845,000		Term Loan, 7.49%, Maturing December 31, 2013	1,785,037
1,845,000		Term Loan, 8.11%, Maturing December 13, 2014	1,794,262
		Kranson Industries, Inc.	
844,021		Term Loan, 7.61%, Maturing July 31, 2013	833,471
		Owens-Brockway Glass Container	
1,588,438		Term Loan, 6.82%, Maturing June 14, 2013	1,534,165
		Smurfit-Stone Container Corp.	
650,961		Term Loan, 5.22%, Maturing November 1, 2011	636,676
645,616		Term Loan, 7.38%, Maturing November 1, 2011	631,448
2,573,226		Term Loan, 7.38%, Maturing November 1, 2011	2,516,759
1,465,843		Term Loan, 7.38%, Maturing November 1, 2011	1,433,676
			\$ 28,802,632
Cosmetics/Toiletries	0.6%		
		American Safety Razor Co.	
\$	900,000	Term Loan, 11.63%, Maturing July 31, 2014	\$ 891,000
		KIK Custom Products, Inc.	
975,000		Term Loan, 10.36%, Maturing November 30, 2014	884,812
9			

Prestige Brands, Inc.		
\$	1,629,951	Term Loan, 7.63%, Maturing April 7, 2011
		\$ 1,593,277
		\$ 3,369,089
Drugs 1.4%		
Graceway Pharmaceuticals, LLC		
\$	818,125	Term Loan, 8.11%, Maturing May 3, 2012
1,000,000		Term Loan, 11.86%, Maturing May 3, 2013
275,000		Term Loan, 13.61%, Maturing November 3, 2013
		228,250
Pharmaceutical Holdings Corp.		
666,563		Term Loan, 8.57%, Maturing January 30, 2012
		671,978
Stiefel Laboratories, Inc.		
754,635		Term Loan, 7.61%, Maturing December 28, 2013
986,615		Term Loan, 7.61%, Maturing December 28, 2013
750,000		Term Loan, 10.36%, Maturing June 28, 2014
		746,250
Warner Chilcott Corp.		
2,693,278		Term Loan, 7.36%, Maturing January 18, 2012
741,974		Term Loan, 7.36%, Maturing January 18, 2012
		2,613,827
		720,086
		\$ 8,457,513
Ecological Services and Equipment 2.3%		
Allied Waste Industries, Inc.		
\$	1,297,702	Term Loan, 5.32%, Maturing January 15, 2012
2,387,805		Term Loan, 7.09%, Maturing January 15, 2012
		\$ 1,246,767
		2,299,542
Blue Waste B.V. (AVR Acquisition)		
EUR	1,000,000	Term Loan, 6.16%, Maturing April 1, 2015
		1,344,040
Cory Environmental Holdings		
GBP	500,000	Term Loan, 9.77%, Maturing September 30, 2014
		1,024,280
Duratek, Inc.		
2,852		Term Loan, 7.66%, Maturing June 7, 2013
		2,817
EnergySolutions, LLC		
4,059		Term Loan, 7.66%, Maturing June 7, 2013
		4,008
Environmental Systems, Inc.		
2,500,000		Term Loan, 12.49%, Maturing December 12, 2010
		1,509,375
IESI Corp.		
970,588		Term Loan, 7.08%, Maturing January 20, 2012
		951,176
Kemble Water Structure Ltd.		
GBP	1,250,000	Term Loan, 9.77%, Maturing October 13, 2013
		2,518,632
Sensus Metering Systems, Inc.		
2,243,478		Term Loan, 7.37%, Maturing December 17, 2010
210,978		Term Loan, 7.37%, Maturing December 17, 2010
		2,232,261
		209,923
		\$ 13,342,821
Electronics/Electrical 4.7%		
Advanced Micro Devices, Inc.		
\$	1,845,975	Term Loan, 7.36%, Maturing December 31, 2013
		\$ 1,737,396
AMI Semiconductor, Inc.		
1,817,738		Term Loan, 6.86%, Maturing April 1, 2012
		1,785,928

		Aspect Software, Inc.	
\$	2,009,813	Term Loan, 8.36%, Maturing July 11, 2011	\$ 1,947,006
1,800,000		Term Loan, 12.44%, Maturing July 11, 2013	1,710,000
		Communications & Power, Inc.	
425,926		Term Loan, 9.22%, Maturing July 23, 2010	421,667
		EnerSys Capital, Inc.	
1,067,137		Term Loan, 7.11%, Maturing March 17, 2011	1,065,804
		FCI International S.A.S.	
216,536		Term Loan, 7.76%, Maturing November 1, 2013	215,724
208,464		Term Loan, 7.76%, Maturing November 1, 2013	207,682
208,464		Term Loan, 7.76%, Maturing November 1, 2013	205,891
216,536		Term Loan, 7.76%, Maturing November 1, 2013	213,863
		Freescale Semiconductor, Inc.	
4,303,375		Term Loan, 7.11%, Maturing December 1, 2013	3,969,373
		Infor Enterprise Solutions Holdings	
2,625,163		Term Loan, 9.11%, Maturing July 28, 2012	2,579,222
1,369,650		Term Loan, 9.11%, Maturing July 28, 2012	1,345,681
500,000		Term Loan, 11.11%, Maturing March 2, 2014	478,750
183,333		Term Loan, 11.61%, Maturing March 2, 2014	175,542
316,667		Term Loan, 11.61%, Maturing March 2, 2014	303,208
		Network Solutions, Inc.	
754,739		Term Loan, 7.86%, Maturing March 7, 2014	737,285
		Open Solutions, Inc.	
2,095,118		Term Loan, 7.45%, Maturing January 23, 2014	1,995,600
		Sensata Technologies Finance Co.	
1,786,975		Term Loan, 7.11%, Maturing April 27, 2013	1,733,180
		Spectrum Brands, Inc.	
57,701		Term Loan, 5.17%, Maturing March 30, 2013	55,970
1,167,299		Term Loan, 9.35%, Maturing March 30, 2013	1,132,280
		TTM Technologies, Inc.	
367,875		Term Loan, 7.59%, Maturing October 27, 2012	356,839
		VeriFone, Inc.	
736,250		Term Loan, 7.11%, Maturing October 31, 2013	725,206
		Vertafore, Inc.	
2,244,375		Term Loan, 7.86%, Maturing January 31, 2012	2,165,822
850,000		Term Loan, 11.36%, Maturing January 31, 2013	811,750
			\$ 28,076,669
		Equipment Leasing 1.1%	
		AWAS Capital, Inc.	
\$	2,140,300	Term Loan, 11.38%, Maturing March 22, 2013	\$ 2,097,494
		Maxim Crane Works, L.P.	
875,000		Term Loan, 7.36%, Maturing June 29, 2014	855,312
		United Rentals, Inc.	
1,121,250		Term Loan, 5.32%, Maturing February 14, 2011	1,102,329
2,457,047		Term Loan, 7.32%, Maturing February 14, 2011	2,415,584
			\$ 6,470,719

Farming/Agriculture 0.5%			
		BF Bolthouse HoldCo, LLC	
\$	1,150,000	Term Loan, 10.86%, Maturing December 16, 2013	\$ 1,139,458
		Central Garden & Pet Co.	
	2,049,063	Term Loan, 6.82%, Maturing February 28, 2014	2,026,011
			\$ 3,165,469
Financial Intermediaries 1.8%			
		Citco III, Ltd.	
\$	525,000	Term Loan, 7.63%, Maturing June 30, 2014	\$ 525,000
		Coinstar, Inc.	
	520,782	Term Loan, 7.36%, Maturing July 7, 2011	523,061
		Grosvenor Capital Management	
	1,542,250	Term Loan, 7.61%, Maturing December 5, 2013	1,495,982
		INVESTools, Inc.	
	450,000	Term Loan, 8.61%, Maturing August 13, 2012	445,500
		iPayment, Inc.	
	1,686,231	Term Loan, 7.35%, Maturing May 10, 2013	1,622,997
		Jupiter Asset Management Group	
GBP	475,000	Term Loan, 8.05%, Maturing June 30, 2015	926,615
		LPL Holdings, Inc.	
	3,579,846	Term Loan, 7.36%, Maturing December 18, 2014	3,463,501
		Oxford Acquisition III, Ltd.	
	1,000,000	Term Loan, Maturing May 24, 2014 (3)	971,250
		RJO Holdings Corp. (RJ O Brien)	
	475,000	Term Loan, 8.32%, Maturing July 31, 2014	469,062
			\$ 10,442,968
Food Products 4.4%			
		Acosta, Inc.	
\$	3,070,861	Term Loan, 7.57%, Maturing July 28, 2013	\$ 2,971,058
		Advantage Sales & Marketing, Inc.	
	425,000	Term Loan, 7.36%, Maturing March 29, 2013	407,469
		Black Lion Beverages III B.V.	
EUR	147,059	Term Loan, 6.31%, Maturing December 31, 2013	196,628
EUR	852,941	Term Loan, 6.31%, Maturing December 31, 2014	1,140,445
		Chiquita Brands, LLC	
	1,166,200	Term Loan, 8.38%, Maturing June 28, 2012	1,146,520
		Dean Foods Co.	
	3,466,313	Term Loan, 6.86%, Maturing April 2, 2014	3,351,924
		Dole Food Company, Inc.	
	162,791	Term Loan, 5.23%, Maturing April 12, 2013	154,244
	1,205,669	Term Loan, 7.45%, Maturing April 12, 2013	1,142,371
	361,701	Term Loan, 7.54%, Maturing April 12, 2013	342,711
		Michael Foods, Inc.	
	3,152,042	Term Loan, 7.36%, Maturing November 21, 2010	3,094,256
		National Dairy Holdings, L.P.	
	727,143	Term Loan, 7.32%, Maturing March 15, 2012	727,143
	12		

		Pinnacle Foods Finance, LLC	
\$	3,775,000	Term Loan, 8.11%, Maturing April 2, 2014	\$ 3,576,812
		Provimi Group SA	
EUR	2,100,000	Term Loan, Maturing June 28, 2015 (3)	2,831,466
EUR	500,000	Term Loan, Maturing December 28, 2016 (3)	678,436
		QCE Finance, LLC	
1,241,231		Term Loan, 7.61%, Maturing May 5, 2013	1,192,272
950,000		Term Loan, 11.11%, Maturing November 5, 2013	922,291
		Reddy Ice Group, Inc.	
1,970,000		Term Loan, 7.11%, Maturing August 9, 2012	1,973,694
			\$ 25,849,740
Food Service	2.3%		
		AFC Enterprises, Inc.	
\$	465,454	Term Loan, 7.63%, Maturing May 23, 2009	\$ 462,545
		Aramark Corp.	
GBP	997,500	Term Loan, 8.08%, Maturing January 27, 2014	1,905,352
		Buffets, Inc.	
186,667		Term Loan, 5.25%, Maturing May 1, 2013	185,267
1,406,267		Term Loan, 8.11%, Maturing November 1, 2013	1,395,720
		Burger King Corp.	
1,078,126		Term Loan, 6.88%, Maturing June 30, 2012	1,050,364
		CBRL Group, Inc.	
1,772,182		Term Loan, 6.86%, Maturing April 27, 2013	1,709,270
		Denny's, Inc.	
133,333		Term Loan, 7.32%, Maturing March 31, 2012	131,583
718,518		Term Loan, 7.36%, Maturing March 31, 2012	709,088
		JRD Holdings, Inc.	
650,000		Term Loan, 7.87%, Maturing June 26, 2014	611,000
		Krispy Kreme Doughnut Corp.	
433,800		Term Loan, 8.36%, Maturing February 16, 2014	431,089
		NPC International, Inc.	
391,083		Term Loan, 7.11%, Maturing May 3, 2013	379,351
		OSI Restaurant Partners, LLC	
60,150		Term Loan, 7.88%, Maturing May 9, 2013	57,504
739,850		Term Loan, 7.63%, Maturing May 9, 2014	707,296
		RMK Acquisition Corp. (Aramark)	
163,977		Term Loan, 5.36%, Maturing January 26, 2014	154,753
2,327,001		Term Loan, 7.36%, Maturing January 26, 2014	2,196,107
		Sagittarius Restaurants, LLC	
395,000		Term Loan, 7.61%, Maturing March 29, 2013	387,717
		Selecta	
EUR	743,561	Term Loan, Maturing December 28, 2015 (3)	1,017,823
			\$ 13,491,829

Food/Drug Retailers 2.2%			
\$	1,047,375	General Nutrition Centers, Inc. Term Loan, 7.61%, Maturing September 16, 2013	\$ 1,017,263
		Iceland Foods Group, Ltd. Term Loan, 8.02%, Maturing May 2, 2014	2,514,662
GBP	1,250,000	Term Loan, 8.52%, Maturing May 2, 2015	2,527,362
GBP	1,250,000		
		Rite Aid Corp. Term Loan, 7.07%, Maturing June 1, 2014	3,897,562
3,900,000			
		Roundy s Supermarkets, Inc. Term Loan, 8.11%, Maturing November 3, 2011	3,293,669
3,373,796			
			\$ 13,250,518
Forest Products 2.8%			
\$	1,350,000	Appleton Papers, Inc. Term Loan, 7.10%, Maturing June 5, 2014	\$ 1,305,000
		Boise Cascade Holdings, LLC Term Loan, 0.00%, Maturing April 30, 2014 (2)	719,832
768,503		Term Loan, 6.86%, Maturing April 30, 2014	3,206,134
3,422,918			
		Georgia-Pacific Corp. Term Loan, 7.11%, Maturing December 20, 2012	8,258,034
8,717,250			
		NewPage Corp. Term Loan, 7.63%, Maturing May 2, 2011	1,795,937
1,820,206			
		Xerium Technologies, Inc. Term Loan, 8.11%, Maturing May 18, 2012	1,200,887
1,257,474			
			\$ 16,485,824
Healthcare 11.8%			
\$	2,337,168	Accellent, Inc. Term Loan, 7.86%, Maturing November 22, 2012	\$ 2,220,309
		Alliance Imaging, Inc. Term Loan, 7.88%, Maturing December 29, 2011	1,055,029
1,066,583			
		American Medical Systems Term Loan, 7.68%, Maturing July 20, 2012	1,556,941
1,564,765			
		AMN Healthcare, Inc. Term Loan, 7.11%, Maturing November 2, 2011	364,323
373,664			
		AMR HoldCo, Inc. Term Loan, 7.36%, Maturing February 10, 2012	1,835,751
1,888,876			
		Biomet, Inc. Term Loan, Maturing December 26, 2014 (3)	2,605,625
2,750,000		Term Loan, Maturing December 26, 2014 (3)	1,674,745
EUR	1,225,000		
		Capio AB Term Loan, 6.36%, Maturing April 24, 2015	304,194
EUR	227,051	Term Loan, 6.36%, Maturing April 24, 2015	365,687
EUR	272,949	Term Loan, 6.48%, Maturing April 16, 2016	306,137
EUR	227,051	Term Loan, 6.48%, Maturing April 24, 2016	368,022
EUR	272,949		
		Cardinal Health 409, Inc. Term Loan, 7.61%, Maturing April 10, 2014	2,138,500
2,275,000			

	Carestream Health, Inc.	
\$ 2,550,000	Term Loan, 7.34%, Maturing April 30, 2013	\$ 2,416,125
1,000,000	Term Loan, 10.59%, Maturing October 30, 2013	985,000
	Carl Zeiss Vision Holding GmbH	
1,300,000	Term Loan, 7.84%, Maturing March 23, 2015	1,280,500
	Concentra, Inc.	
600,000	Term Loan, 10.86%, Maturing June 25, 2015	594,000
	CONMED Corp.	
486,139	Term Loan, 7.07%, Maturing April 13, 2013	471,555
	CRC Health Corp.	
493,665	Term Loan, 7.61%, Maturing February 6, 2013	483,792
496,250	Term Loan, 7.86%, Maturing February 6, 2013	486,325
	Dako EQT Project Delphi	
500,000	Term Loan, 9.84%, Maturing December 12, 2016	505,000
	DaVita, Inc.	
4,047,997	Term Loan, 6.86%, Maturing October 5, 2012	3,841,703
	Emdeon Business Services, LLC	
1,682,103	Term Loan, 7.61%, Maturing November 16, 2013	1,627,435
	Encore Medical Finance, LLC	
1,813,178	Term Loan, 7.88%, Maturing November 3, 2013	1,772,382
	Fenwal, Inc.	
500,000	Term Loan, 10.61%, Maturing August 28, 2014	476,250
	FGX International, Inc.	
588,000	Term Loan, 9.36%, Maturing December 12, 2012	564,480
	FHC Health Systems, Inc.	
367,127	Term Loan, 12.07%, Maturing December 18, 2009	370,798
256,989	Term Loan, 14.07%, Maturing December 18, 2009	259,559
500,000	Term Loan, 15.11%, Maturing February 7, 2011	507,500
	Fresenius Medical Care Holdings	
2,497,924	Term Loan, 6.74%, Maturing March 31, 2013	2,408,825
	Hanger Orthopedic Group, Inc.	
717,755	Term Loan, 7.61%, Maturing May 30, 2013	714,166
	HCA, Inc.	
6,741,125	Term Loan, 7.61%, Maturing November 18, 2013	6,519,794
	Health Management Association, Inc.	
3,068,750	Term Loan, 7.11%, Maturing February 28, 2014	2,992,031
	HealthSouth Corp.	
2,137,442	Term Loan, 7.86%, Maturing March 10, 2013	2,085,743
	IASIS Healthcare, LLC	
292,130	Term Loan, 5.70%, Maturing March 14, 2014 (2)	278,984
77,901	Term Loan, 7.32%, Maturing March 14, 2014	74,396
852,831	Term Loan, 7.36%, Maturing March 14, 2014	814,453
	Ikaria Acquisition, Inc.	
594,681	Term Loan, 7.86%, Maturing March 28, 2013	596,168
	IM US Holdings, LLC	
625,000	Term Loan, 9.59%, Maturing June 26, 2015	609,375

		Invacare Corp.	
\$	1,019,875	Term Loan, 7.59%, Maturing February 12, 2013	\$ 980,355
		inVentiv Health, Inc.	
	54,286	Term Loan, 0.00%, Maturing July 6, 2014 (2)	52,521
	895,714	Term Loan, 7.11%, Maturing July 6, 2014	894,035
		Kinetic Concepts, Inc.	
	1,068,801	Term Loan, 4.85%, Maturing October 3, 2009	1,069,803
		Leiner Health Products, Inc.	
	965,150	Term Loan, 9.83%, Maturing May 27, 2011	938,608
		LifeCare Holdings, Inc.	
	859,688	Term Loan, 8.36%, Maturing August 11, 2012	800,942
		LifePoint Hospitals, Inc.	
	2,063,187	Term Loan, 6.99%, Maturing April 15, 2012	1,967,764
		Magellan Health Services, Inc.	
	1,111,111	Term Loan, 5.20%, Maturing August 15, 2008	1,113,889
	555,556	Term Loan, 7.11%, Maturing August 15, 2008	556,944
		Matria Healthcare, Inc.	
	162,327	Term Loan, 7.36%, Maturing January 19, 2012	158,269
		MultiPlan Merger Corp.	
	593,847	Term Loan, 7.82%, Maturing April 12, 2013	573,805
	890,182	Term Loan, 7.82%, Maturing April 12, 2013	860,139
		National Mentor Holdings, Inc.	
	61,600	Term Loan, 5.32%, Maturing June 29, 2013	61,273
	1,028,016	Term Loan, 7.35%, Maturing June 29, 2013	1,022,555
		National Rental Institutes, Inc.	
	866,250	Term Loan, 7.63%, Maturing March 31, 2013	822,937
		Nyco Holdings	
EUR	1,000,000	Term Loan, 6.66%, Maturing December 29, 2014	1,328,030
EUR	1,000,000	Term Loan, 7.16%, Maturing December 29, 2015	1,334,874
		Physiotherapy Associates, Inc.	
	850,000	Term Loan, 10.25%, Maturing June 27, 2013	839,375
		RadNet Management, Inc.	
	547,250	Term Loan, 8.86%, Maturing November 15, 2012	548,618
		Renal Advantage, Inc.	
	343,985	Term Loan, 7.86%, Maturing October 5, 2012	337,105
		Select Medical Holding Corp.	
	2,148,349	Term Loan, 7.36%, Maturing February 24, 2012	2,101,801
		Sunrise Medical Holdings, Inc.	
	675,653	Term Loan, 9.38%, Maturing May 13, 2010	668,897
		Vanguard Health Holding Co., LLC	
	2,182,165	Term Loan, 7.61%, Maturing September 23, 2011	2,105,789
		Viant Holdings, Inc.	
	525,000	Term Loan, 7.61%, Maturing June 25, 2014	510,562
			\$ 70,180,492

Home Furnishings 1.8%		
		Hunter Fan Co.
\$ 49,286		Term Loan, 0.00%, Maturing April 16, 2014 (2)
525,714		Term Loan, 7.86%, Maturing April 16, 2014
		Interline Brands, Inc.
993,228		Term Loan, 7.07%, Maturing June 23, 2013
686,848		Term Loan, 7.07%, Maturing June 23, 2013
		National Bedding Co., LLC
497,500		Term Loan, 7.36%, Maturing August 31, 2011
1,050,000		Term Loan, 10.36%, Maturing August 31, 2012
		Sealy Mattress Co.
2,978,571		Term Loan, 6.61%, Maturing August 25, 2011
		Simmons Co.
2,889,682		Term Loan, 7.41%, Maturing December 19, 2011
1,000,000		Term Loan, 10.65%, Maturing February 15, 2012
		\$ 10,384,631
Industrial Equipment 3.5%		
		Aeero Technologies, Inc.
\$ 400,000		Term Loan, 10.86%, Maturing September 24, 2013
700,000		Term Loan, 7.61%, Maturing July 2, 2014
		Alliance Laundry Holdings, LLC
843,723		Term Loan, 7.61%, Maturing January 27, 2012
		EPD Holdings (Goodyear Engineering Production)
78,125		Term Loan, Maturing July 13, 2014 (3)
546,875		Term loan, Maturing July 13, 2014 (3)
775,000		Term Loan, Maturing July 13, 2015 (3)
		Flowserve Corp.
2,000,288		Term Loan, 6.88%, Maturing August 10, 2012
		Foamex L.P.
1,788,235		Term Loan, 7.60%, Maturing February 12, 2013
		FR Brand Acquisition Corp.
748,125		Term Loan, 7.63%, Maturing February 7, 2014
		Generac Acquisition Corp.
1,782,000		Term Loan, 7.86%, Maturing November 7, 2013
500,000		Term Loan, 11.36%, Maturing April 7, 2014
		Gleason Corp.
141,970		Term Loan, Maturing June 30, 2013 (3)
583,030		Term Loan, 7.38%, Maturing June 30, 2013
		Itron, Inc.
EUR 399,000		Term Loan, 6.22%, Maturing April 18, 2014
		John Maneely Co.
3,031,468		Term Loan, 8.61%, Maturing December 8, 2013
		Kion Group GMBH
250,000		Term Loan, 7.58%, Maturing December 23, 2014
250,000		Term Loan, 7.83%, Maturing December 23, 2015

		Polypore International, Inc.	
\$	3,025,000	Term Loan, 7.56%, Maturing July 3, 2014	\$ 2,873,750
		Terex Corp.	
717,750		Term Loan, 7.11%, Maturing July 13, 2013	720,442
		TFS Acquisition Corp.	
694,750		Term Loan, 8.86%, Maturing August 11, 2013	691,276
		TNT Logistics Holdings	
473,282		Term Loan, Maturing January 4, 2014 (3)	475,945
1,526,718		Term Loan, Maturing January 4, 2014 (3)	1,536,737
			\$ 20,469,419
Insurance	1.8%		
		AmWINS Group, Inc.	
\$	500,000	Term Loan, 10.84%, Maturing June 8, 2014	\$ 471,250
		Applied Systems, Inc.	
1,339,875		Term Loan, 7.85%, Maturing September 26, 2013	1,309,728
		ARG Holding, Inc.	
1,250,000		Term Loan, 12.63%, Maturing November 30, 2012	1,243,750
		CCC Information Services Group	
604,852		Term Loan, 7.86%, Maturing February 10, 2013	589,731
		Conseco, Inc.	
3,504,188		Term Loan, 7.32%, Maturing October 10, 2013	3,372,780
		Crawford and Company	
1,256,167		Term Loan, 7.61%, Maturing October 31, 2013	1,257,737
		Hub International Holdings, Inc.	
150,980		Term Loan, 0.00%, Maturing June 13, 2014 (2)	143,054
674,020		Term Loan, 7.86%, Maturing June 13, 2014	638,634
		U.S.I. Holdings Corp.	
1,850,000		Term Loan, 8.11%, Maturing May 4, 2014	1,757,500
			\$ 10,784,164
Leisure Goods/Activities/Movies	8.7%		
		24 Hour Fitness Worldwide, Inc.	
\$	1,654,063	Term Loan, 7.87%, Maturing June 8, 2012	\$ 1,637,522
		Alliance Atlantis Communications, Inc.	
610,938		Term Loan, 6.85%, Maturing December 31, 2011	610,937
		AMC Entertainment, Inc.	
1,846,875		Term Loan, 7.07%, Maturing January 26, 2013	1,785,313
		AMF Bowling Worldwide, Inc.	
1,000,000		Term Loan, 11.57%, Maturing December 8, 2013	995,000
		Bombardier Recreational Product	
1,822,785		Term Loan, 7.86%, Maturing June 28, 2013	1,785,190
		Butterfly Wendel US, Inc.	
300,000		Term Loan, 8.14%, Maturing June 22, 2013	297,150
300,000		Term Loan, 7.89%, Maturing June 22, 2014	295,650
		Carnike Cinemas, Inc.	
994,975		Term Loan, 8.61%, Maturing May 19, 2012	971,344

	Cedar Fair, L.P.	
\$ 4,014,475	Term Loan, 7.32%, Maturing August 30, 2012	\$ 3,882,888
	Cinemark, Inc.	
3,622,625	Term Loan, 7.13%, Maturing October 5, 2013	3,504,890
	Deluxe Entertainment Services	
59,055	Term Loan, 5.26%, Maturing January 28, 2011	56,545
1,322,835	Term Loan, 7.61%, Maturing January 28, 2011	1,266,614
118,110	Term Loan, 7.61%, Maturing January 28, 2011	113,091
	Easton-Bell Sports, Inc.	
1,289,347	Term Loan, 7.11%, Maturing March 16, 2012	1,235,355
	Mega Blocks, Inc.	
1,617,000	Term Loan, 7.63%, Maturing July 26, 2012	1,576,575
	Metro-Goldwyn-Mayer Holdings, Inc.	
7,956,725	Term Loan, 8.61%, Maturing April 8, 2012	7,537,191
	National CineMedia, LLC	
1,250,000	Term Loan, 7.11%, Maturing February 13, 2015	1,214,732
	Regal Cinemas Corp.	
4,019,626	Term Loan, 6.86%, Maturing November 10, 2010	3,913,274
	Revolution Studios	
1,393,142	Term Loan, 9.07%, Maturing December 21, 2014	1,337,417
800,000	Term Loan, 12.32%, Maturing June 21, 2015	776,000
	Six Flags Theme Parks, Inc.	
3,150,000	Term Loan, 7.61%, Maturing April 30, 2015	2,966,251
	Southwest Sports Group, LLC	
1,875,000	Term Loan, 7.88%, Maturing December 22, 2010	1,865,625
	Universal City Development Partners, Ltd.	
1,721,345	Term Loan, 7.36%, Maturing June 9, 2011	1,678,312
	WMG Acquisition Corp.	
875,000	Revolving Loan, 0.00%, Maturing February 28, 2010 (2)	855,312
9,751,783	Term Loan, 7.36%, Maturing February 28, 2011	9,546,303
		\$ 51,704,481
Lodging and Casinos 4.2%		
	Ameristar Casinos, Inc.	
\$ 1,083,500	Term Loan, 6.82%, Maturing November 10, 2012	\$ 1,072,665
	Bally Technologies, Inc.	
4,616,401	Term Loan, 8.64%, Maturing September 5, 2009	4,497,145
	CCM Merger, Inc.	
2,439,001	Term Loan, 7.36%, Maturing April 25, 2012	2,353,636
	Fairmont Hotels and Resorts, Inc.	
525,229	Term Loan, 8.57%, Maturing May 12, 2011	529,825
	Las Vegas Sands, LLC	
3,460,000	Term Loan, 7.11%, Maturing May 23, 2014	3,316,794
	LodgeNet Entertainment Corp.	
825,000	Term Loan, 7.36%, Maturing April 4, 2014	807,813

		New World Gaming Partners, Ltd.	
\$	1,020,833	Term Loan, Maturing June 30, 2014 (3)	\$ 992,760
204,167		Term Loan, Maturing June 30, 2014 (3)	198,552
		Penn National Gaming, Inc.	
6,455,025		Term Loan, 7.11%, Maturing October 3, 2012	6,357,393
		Pinnacle Entertainment, Inc.	
700,000		Term Loan, Maturing December 14, 2011 (3)	680,167
		Venetian Casino Resort, LLC	
865,000		Term Loan, 0.00%, Maturing May 14, 2014 (2)	829,199
		VML US Finance, LLC	
441,667		Term Loan, 7.61%, Maturing May 25, 2012	427,470
883,333		Term Loan, 7.61%, Maturing May 25, 2013	854,940
		Wimar Opco, LLC	
1,941,245		Term Loan, 7.61%, Maturing January 3, 2012	1,898,376
			\$ 24,816,735
Nonferrous Metals/Minerals	1.8%		
		Alpha Natural Resources, LLC	
\$	861,875	Term Loan, 7.11%, Maturing October 26, 2012	\$ 825,245
		Magnequench International, Inc.	
744,608		Term Loan, 8.37%, Maturing August 31, 2009	744,607
		Magnum Coal Co.	
186,364		Term Loan, 8.57%, Maturing March 15, 2013	186,480
1,840,341		Term Loan, 8.57%, Maturing March 15, 2013	1,841,491
		Murray Energy Corp.	
909,075		Term Loan, 8.36%, Maturing January 28, 2010	913,620
		Noranda Aluminum Acquisition	
403,750		Term Loan, 7.32%, Maturing May 18, 2014	397,357
		Novelis, Inc.	
632,813		Term Loan, Maturing June 28, 2014 (3)	604,336
1,392,188		Term Loan, Maturing June 28, 2014 (3)	1,329,539
		Oxbow Carbon and Mineral Holdings	
235,571		Term Loan, 0.00%, Maturing May 8, 2014 (2)	224,970
2,682,706		Term Loan, 7.40%, Maturing May 8, 2014	2,561,984
		Thompson Creek Metals Co.	
1,288,359		Term Loan, 10.09%, Maturing October 26, 2012	1,288,359
			\$ 10,917,988
Oil and Gas	3.7%		
		Atlas Pipeline Partners, L.P.	
\$	1,500,000	Term Loan, Maturing July 20, 2014 (3)	\$ 1,488,750
		Big West Oil, LLC	
398,750		Term Loan, 0.00%, Maturing May 1, 2014 (2)	385,292
326,250		Term Loan, 7.61%, Maturing May 1, 2014	315,239
		Concho Resources, Inc.	
2,019,938		Term Loan, 9.07%, Maturing March 27, 2012	1,994,688
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		Dresser, Inc.	
\$	1,475,000	Term Loan, 7.86%, Maturing May 4, 2014	\$ 1,427,431
1,000,000		Term Loan, 11.11%, Maturing May 4, 2015	950,000
		El Paso Corp.	
1,350,000		Term Loan, 5.22%, Maturing July 31, 2011	1,302,750
		Hercules Offshore, Inc.	
700,000		Term Loan, 7.11%, Maturing July 6, 2013	693,787
		Key Energy Services, Inc.	
1,177,075		Term Loan, 7.84%, Maturing June 30, 2012	1,153,533
		Kinder Morgan, Inc.	
3,830,303		Term Loan, 6.82%, Maturing May 21, 2014	3,653,152
		Mach General, LLC	
67,969		Term Loan, 7.36%, Maturing February 22, 2013	65,964
653,746		Term Loan, 7.36%, Maturing February 22, 2014	634,461
		Niska Gas Storage	
248,485		Term Loan, 7.07%, Maturing May 13, 2011	249,417
143,545		Term Loan, 7.11%, Maturing May 13, 2011	141,571
211,908		Term Loan, 7.11%, Maturing May 13, 2011	208,995
1,300,646		Term Loan, 7.11%, Maturing May 12, 2013	1,282,762
		Primary Natural Resources, Inc.	
1,530,625		Term Loan, 9.32%, Maturing July 28, 2010 (4)	1,528,941
		Targa Resources, Inc.	
1,365,968		Term Loan, 5.24%, Maturing October 31, 2012	1,354,869
2,234,237		Term Loan, 7.33%, Maturing October 31, 2012	2,216,084
		W&T Offshore, Inc.	
1,015,000		Term Loan, 7.61%, Maturing May 26, 2010	1,002,313
			\$ 22,049,999
Publishing	10.8%		
		American Media Operations, Inc.	
\$	4,275,000	Term Loan, 8.59%, Maturing January 31, 2013	\$ 4,018,500
		Aster Zweite Beteiligungs GMBG	
775,000		Term Loan, 7.62%, Maturing September 27, 2013	758,854
		CBD Media, LLC	
1,675,591		Term Loan, 7.82%, Maturing December 31, 2009	1,654,646
		Dex Media East, LLC	
4,772,720		Term Loan, 6.86%, Maturing May 8, 2009	4,633,266
		Dex Media West, LLC	
2,757,051		Term Loan, 6.86%, Maturing March 9, 2010	2,684,678
		GateHouse Media Operating, Inc.	
600,000		Term Loan, 7.36%, Maturing August 28, 2014	570,500
675,000		Term Loan, 7.36%, Maturing August 28, 2014	654,610
1,350,000		Term Loan, 7.36%, Maturing August 28, 2014	1,283,625
		Idearc, Inc.	
7,437,625		Term Loan, 7.36%, Maturing November 17, 2014	7,121,526
		MediaNews Group, Inc.	
965,250		Term Loan, 7.09%, Maturing August 2, 2013	941,119
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		Mediannuaire Holding	
EUR	500,000	Term Loan, 8.39%, Maturing April 10, 2016	\$ 669,596
		Merrill Communications, LLC	
1,293,981		Term Loan, 7.59%, Maturing February 9, 2009	1,269,180
1,000,000		Term Loan, 11.82%, Maturing November 15, 2013	1,002,500
		Nebraska Book Co., Inc.	
1,402,112		Term Loan, 7.83%, Maturing March 4, 2011	1,409,123
		Nelson Education, Ltd.	
500,000		Term Loan, 8.25%, Maturing July 5, 2014	497,500
		Philadelphia Newspapers, LLC	
715,302		Term Loan, 8.11%, Maturing June 29, 2013	693,843
		R.H. Donnelley Corp.	
51,070		Term Loan, 6.57%, Maturing December 31, 2009	48,389
3,229,689		Term Loan, 6.86%, Maturing June 30, 2010	3,129,265
		Reader s Digest Association	
3,291,750		Term Loan, 7.35%, Maturing March 2, 2014	3,061,328
		Riverdeep Interactive Learning USA, Inc.	
2,563,650		Term Loan, 8.11%, Maturing December 20, 2013	2,486,740
		SGS International, Inc.	
689,500		Term Loan, 7.87%, Maturing December 30, 2011	682,605
		Source Media, Inc.	
1,712,144		Term Loan, 7.61%, Maturing November 8, 2011	1,718,565
		SP Newsprint Co.	
3,866,667		Term Loan, 5.32%, Maturing January 9, 2010	3,750,667
		Sun Media Corp.	
1,153,321		Term Loan, 7.11%, Maturing February 7, 2009	1,125,930
		TL Acquisitions, Inc.	
1,925,000		Term Loan, 8.07%, Maturing July 5, 2014	1,813,350
		Trader Media Corp.	
GBP	2,400,000	Term Loan, 8.08%, Maturing March 23, 2015	4,775,319
		Tribune Co.	
1,866,667		Term Loan, 7.86%, Maturing May 17, 2009	1,833,334
3,975,000		Term Loan, 8.36%, Maturing May 17, 2014	3,622,930
		Xsys US, Inc.	
1,872,229		Term Loan, 7.57%, Maturing September 27, 2013	1,833,225
1,896,271		Term Loan, 7.57%, Maturing September 27, 2014	1,866,247
		Yell Group, PLC	
2,600,000		Term Loan, 7.32%, Maturing February 10, 2013	2,564,250
			\$ 64,175,210
Radio and Television	6.4%		
		ALM Media Holdings, Inc.	
\$	1,096,315	Term Loan, 7.82%, Maturing March 4, 2010	\$ 1,093,574
		Block Communications, Inc.	
837,250		Term Loan, 7.36%, Maturing December 22, 2011	814,226
		CanWest MediaWorks, Ltd.	
800,000		Term Loan, 7.34%, Maturing July 10, 2014	784,000

		Cequel Communications, LLC	
\$	1,550,000	Term Loan, 9.86%, Maturing May 5, 2014	\$ 1,508,150
	3,245,028	Term Loan, 11.36%, Maturing May 5, 2014	3,190,943
		CMP KC, LLC	
	978,688	Term Loan, 9.38%, Maturing May 5, 2013	983,581
		CMP Susquehanna Corp.	
	1,336,000	Term Loan, 7.36%, Maturing May 5, 2013	1,295,085
		DirecTV Holdings, LLC	
	2,053,666	Term Loan, 6.82%, Maturing April 13, 2013	2,001,754
		Discovery Communications, Inc.	
	2,425,000	Term Loan, 7.36%, Maturing April 30, 2014	2,370,438
		Emmis Operating Co.	
	801,429	Term Loan, 7.36%, Maturing November 2, 2013	781,994
		Entravision Communications Corp.	
	1,301,813	Term Loan, 6.86%, Maturing September 29, 2013	1,273,606
		Gray Television, Inc.	
	1,262,250	Term Loan, 6.86%, Maturing January 19, 2015	1,205,449
		HEI Acquisition, LLC	
	1,925,000	Term Loan, 9.36%, Maturing April 13, 2014	1,751,750
		HIT Entertainment, Inc.	
	1,004,512	Term Loan, 7.34%, Maturing March 20, 2012	973,121
		Intelsat Bermuda, Ltd.	
	1,075,000	Term Loan, 7.86%, Maturing February 1, 2014	1,050,333
		NEP II, Inc.	
	623,437	Term Loan, 7.61%, Maturing February 16, 2014	604,733
		Nexstar Broadcasting, Inc.	
	1,799,540	Term Loan, 7.11%, Maturing October 1, 2012	1,761,300
	1,704,575	Term Loan, 7.11%, Maturing October 1, 2012	1,668,352
		NextMedia Operating, Inc.	
	283,514	Term Loan, 7.32%, Maturing November 15, 2012	271,465
	126,005	Term Loan, 7.32%, Maturing November 15, 2012	120,650
		PanAmSat Corp.	
	2,456,438	Term Loan, 7.36%, Maturing January 3, 2014	2,389,910
		Paxson Communications Corp.	
	2,500,000	Term Loan, 8.61%, Maturing January 15, 2012	2,450,000
		Raycom TV Broadcasting, LLC	
	2,375,000	Term Loan, 6.88%, Maturing June 25, 2014	2,366,094
		SFX Entertainment	
	1,150,692	Term Loan, 8.10%, Maturing June 21, 2013	1,116,172
		Sirius Satellite Radio, Inc.	
	500,000	Term Loan, 7.63%, Maturing December 19, 2012	472,500
		Tyrol Acquisition 2 SAS	
EUR	800,000	Term Loan, 6.37%, Maturing January 19, 2015	1,067,424
EUR	800,000	Term Loan, 6.62%, Maturing January 19, 2016	1,072,526

		Young Broadcasting, Inc.	
\$	720,300	Term Loan, 7.88%, Maturing November 3, 2012	\$ 688,337
987,500		Term Loan, 7.88%, Maturing November 3, 2012	943,680
			\$ 38,071,147
Rail Industries	0.6%		
		Kansas City Southern Railway Co.	
\$	2,004,750	Term Loan, 7.07%, Maturing March 30, 2008	\$ 1,943,355
1,550,000		RailAmerica, Inc. Term Loan, 7.61%, Maturing August 14, 2008	1,534,500
			\$ 3,477,855
Retailers (Except Food and Drug)	4.4%		
		Advantage Sales & Marketing, Inc.	
\$	836,223	Term Loan, 7.36%, Maturing March 29, 2013	\$ 801,729
393,251		American Achievement Corp. Term Loan, 7.57%, Maturing March 25, 2011	384,403
498,750		Amscan Holdings, Inc. Term Loan, 7.60%, Maturing May 25, 2013	483,788
350,000		Claire s Stores, Inc. Term Loan, 8.11%, Maturing May 24, 2014	319,667
3,478,816		Coinmach Laundry Corp. Term Loan, 7.88%, Maturing December 19, 2012	3,435,331
1,563,188		Cumberland Farms, Inc. Term Loan, 7.36%, Maturing September 29, 2013	1,568,072
500,000		Educate, Inc. Term Loan, 10.59%, Maturing June 14, 2014	477,500
1,666,929		Hanesbrands, Inc. Term Loan, 7.10%, Maturing September 5, 2013	1,616,401
850,000		Term Loan, 9.11%, Maturing March 5, 2014	832,575
1,730,136		Harbor Freight Tools USA, Inc. Term Loan, 7.61%, Maturing July 15, 2010	1,681,116
991,691		Home Interiors & Gifts, Inc. Term Loan, 10.35%, Maturing March 31, 2011	695,837
1,509,741		Josten s Corp. Term Loan, 7.33%, Maturing October 4, 2011	1,518,548
540,127		Mapco Express, Inc. Term Loan, 8.11%, Maturing April 28, 2011	538,102
802,215		Neiman Marcus Group, Inc. Term Loan, 7.11%, Maturing April 5, 2013	769,973
1,125,000		Oriental Trading Co., Inc. Term Loan, 11.36%, Maturing January 31, 2013	1,080,000
1,633,500		Term Loan, 7.59%, Maturing July 31, 2013	1,551,825
238,889		Pantry, Inc. (The) Term Loan, 0.00%, Maturing May 15, 2014 (2)	221,569
836,111		Term Loan, 7.07%, Maturing May 15, 2014	775,493
1,093,265		Rent-A-Center, Inc. Term Loan, 7.12%, Maturing November 15, 2012	1,072,426

Rover Acquisition Corp.		
\$ 2,238,750	Term Loan, 7.61%, Maturing October 26, 2013	\$ 2,144,537
Savers, Inc.		
340,070	Term Loan, 8.11%, Maturing August 11, 2012	334,969
387,306	Term Loan, 8.11%, Maturing August 11, 2012	381,497
The Yankee Candle Company, Inc.		
1,296,750	Term Loan, 7.36%, Maturing February 6, 2014	1,231,913
Vivarte		
EUR 750,000	Term Loan, 6.20%, Maturing May 29, 2015	966,037
EUR 750,000	Term Loan, 6.70%, Maturing May 29, 2016	970,885
		\$ 25,854,193
Steel 0.2%		
Algoma Acquisition Corp.		
\$ 475,000	Term Loan, Maturing June 20, 2013 (3)	\$ 451,250
Niagara Corp.		
1,025,000	Term Loan, 10.36%, Maturing June 29, 2014	1,027,563
		\$ 1,478,813
Surface Transport 1.5%		
Gainey Corp.		
\$ 767,250	Term Loan, 8.10%, Maturing April 20, 2012	\$ 763,893
Horizon Lines, LLC		
732,473	Term Loan, 7.57%, Maturing July 7, 2011	728,811
Oshkosh Truck Corp.		
1,940,250	Term Loan, 7.11%, Maturing December 6, 2013	1,878,859
Ozburn-Hessey Holding Co., LLC		
492,834	Term Loan, 8.57%, Maturing August 9, 2012	465,728
Sirva Worldwide, Inc.		
1,599,041	Term Loan, 12.61%, Maturing December 1, 2010	1,300,553
Swift Transportation Co., Inc.		
2,805,814	Term Loan, 8.38%, Maturing May 10, 2014	2,504,189
Vanguard Car Rental USA		
1,124,000	Term Loan, 8.34%, Maturing June 14, 2013	1,115,219
		\$ 8,757,252
Telecommunications 6.0%		
Alaska Communications Systems Holdings, Inc.		
\$ 990,000	Term Loan, 7.11%, Maturing February 1, 2012	\$ 967,725
American Cellular Corp.		
2,069,813	Term Loan, 7.36%, Maturing March 15, 2014	2,049,545
Centennial Cellular Operating Co., LLC		
4,445,833	Term Loan, 7.36%, Maturing February 9, 2011	4,331,909
Consolidated Communications, Inc.		
2,563,752	Term Loan, 7.11%, Maturing July 27, 2015	2,525,296
FairPoint Communications, Inc.		
2,980,000	Term Loan, 7.13%, Maturing February 8, 2012	2,883,150

		Intelsat Subsidiary Holding Co.	
\$	967,688	Term Loan, 7.36%, Maturing July 3, 2013	\$ 942,286
		Iowa Telecommunications Services	
2,616,000		Term Loan, 7.11%, Maturing November 23, 2011	2,571,855
		IPC Systems, Inc.	
1,100,000		Term Loan, 7.61%, Maturing May 31, 2014	1,019,563
500,000		Term Loan, 10.61%, Maturing May 31, 2015	461,250
		Macquarie UK Broadcast Ventures, Ltd.	
GBP	775,000	Term Loan, 7.92%, Maturing December 26, 2014	1,574,839
		NTelos, Inc.	
1,177,818		Term Loan, 7.57%, Maturing August 24, 2011	1,148,372
		Stratos Global Corp.	
1,039,500		Term Loan, 8.11%, Maturing February 13, 2012	1,020,009
		Trilogy International Partners	
850,000		Term Loan, 8.86%, Maturing June 29, 2012	824,500
		Triton PCS, Inc.	
2,724,585		Term Loan, 8.57%, Maturing November 18, 2009	2,717,773
		Univision Communications, Inc.	
750,000		Term Loan, 7.82%, Maturing March 29, 2009	732,750
460,570		Term Loan, 0.00%, Maturing September 29, 2014 (2)	426,690
7,164,430		Term Loan, 7.61%, Maturing September 29, 2014	6,637,400
		Windstream Corp.	
3,089,906		Term Loan, 6.86%, Maturing July 17, 2013	3,021,672
			\$ 35,856,584
Utilities	4.1%		
		AEI Finance Holding, LLC	
\$	269,751	Term Loan, 5.26%, Maturing March 30, 2012	\$ 264,356
2,055,249		Term Loan, 8.36%, Maturing March 30, 2014	2,014,144
		Astoria Generating Co.	
1,000,000		Term Loan, 9.11%, Maturing August 23, 2013	985,547
		BRSP, LLC	
1,826,611		Term Loan, 8.38%, Maturing July 13, 2009	1,835,745
		Calpine Corp.	
847,875		DIP Loan, 7.61%, Maturing March 30, 2009	823,675
		Cogentrix Delaware Holdings, Inc.	
521,198		Term Loan, 6.86%, Maturing April 14, 2012	519,461
		Covanta Energy Corp.	
569,072		Term Loan, 5.26%, Maturing February 9, 2014	557,335
1,153,038		Term Loan, 6.88%, Maturing February 9, 2014	1,129,257
		Electricinvest Holding Co.	
EUR	476,616	Term Loan, 7.85%, Maturing October 24, 2012	654,590
GBP	480,000	Term Loan, 9.67%, Maturing October 24, 2012	978,356
		Elster Group GmbH (Ruhrgas)	
803,389		Term Loan, 7.38%, Maturing June 12, 2013	789,330
803,389		Term Loan, 7.88%, Maturing June 12, 2014	793,347

	LS Power Acquisition Company	
\$ 600,000	Term Loan, 9.11%, Maturing November 1, 2014	\$ 561,000
	Mirant North America, LLC.	
877,333	Term Loan, 7.07%, Maturing January 3, 2013	855,460
	NRG Energy, Inc.	
2,093,940	Term Loan, 7.11%, Maturing February 1, 2013	2,027,631
2,675,000	Term Loan, 0.00%, Maturing June 1, 2014 (2)	2,612,138
5,043,420	Term Loan, 7.11%, Maturing June 1, 2014	4,883,710
	Pike Electric, Inc.	
188,395	Term Loan, 6.88%, Maturing July 1, 2012	183,999
437,712	Term Loan, 6.88%, Maturing December 10, 2012	427,499
	Vulcan Energy Corp.	
1,580,293	Term Loan, 6.86%, Maturing July 23, 2010	1,558,564
		\$ 24,455,144
Total Senior, Floating Rate Interests		
(identified cost, \$926,209,232)		\$ 898,539,385

Corporate Bonds & Notes 13.1%

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Principal Amount (000 s omitted)	Security	Value
Aerospace and Defense 0.1%		
	Alion Science and Technologies, Sr. Notes	
\$ 275	10.25%, 2/1/15	\$ 265,375
	DRS Technologies, Inc., Sr. Sub. Notes	
80	7.625%, 2/1/18	77,200
		\$ 342,575
Air Transport 0.0%		
	Continental Airlines	
\$ 258	7.033%, 6/15/11	\$ 253,237
		\$ 253,237
Automotive 0.2%		
	Altra Industrial Motion, Inc.	
\$ 225	9.00%, 12/1/11	\$ 230,625
110	9.00%, 12/1/11 (5)	112,750
	American Axle & Manufacturing, Inc.	
135	7.875%, 3/1/17	122,175
	Commercial Vehicle Group, Inc., Sr. Notes	
100	8.00%, 7/1/13	92,500
	Ford Motor Credit Co., Sr. Notes	
15	9.875%, 8/10/11	15,202
	Goodyear Tire & Rubber Co., Sr. Notes,	
180	9.135%, 12/9/09 (5)	180,000
	Tenneco Automotive, Inc., Sr. Sub. Notes	
255	8.625%, 11/15/14	256,275
		\$ 1,009,527
27		

Broadcast Radio and Television 0.0%			
		Sirius Satellite Radio, Sr. Notes	
\$	170	9.625%, 8/1/13	\$ 163,200
			\$ 163,200
Brokers/Dealers/Investment Houses 0.1%			
		Residential Capital LLC, Sub. Notes, Variable Rate	
\$	810	7.69%, 4/17/09 (5)	\$ 782,824
			\$ 782,824
Building and Development 0.8%			
		Grohe Holding GMBH	
EUR	2,000	7.084%, 1/15/14	\$ 2,639,709
		Interface, Inc.	
500		10.375%, 2/1/10	522,500
		Nortek, Inc., Sr. Sub. Notes	
850		8.50%, 9/1/14	735,250
		NTK Holdings, Inc., Sr. Disc. Notes (0% until 2009)	
360		10.75%, 3/1/14	221,400
		Panolam Industries International, Sr. Sub. Notes	
395		10.75%, 10/1/13 (5)	385,125
		PLY GEM Industries, Inc.	
30		9.00%, 2/15/12	24,075
		Realogy Corp.	
430		10.50%, 4/15/14 (5)	398,825
		Stanley-Martin Co.	
80		9.75%, 8/15/15	58,000
			\$ 4,984,884
Business Equipment and Services 0.7%			
		Affinion Group, Inc.	
\$	95	10.125%, 10/15/13	\$ 95,950
135		11.50%, 10/15/15	136,350
		Education Management, LLC	
275		8.75%, 6/1/14	275,000
535		10.25%, 6/1/16	535,000
		Hertz Corp.	
530		8.875%, 1/1/14	532,650
		KAR Holdings, Inc., Sr. Notes,	
130		9.36%, 5/1/14 (5)	117,650
		Neff Corp., Sr. Notes	
50		10.00%, 6/1/15 (5)	46,250
		Nielsen Finance LLC	
175		10.00%, 8/1/14 (5)	177,625
		Norcross Safety Products, LLC/Norcross Capital Corp., Sr. Sub. Notes, Series B	
40		9.875%, 8/15/11	41,900
28			

		Rental Service Corp.	
\$	35	9.50%, 12/1/14 (5)	\$ 34,300
		Sabre Holdings Corp.	
120		8.35%, 3/15/16	100,200
		Safety Products Holdings, Inc., Sr. Notes (PIK)	
455		11.75%, 1/1/12 (4)	475,325
		SunGard Data Systems, Inc., Variable Rate	
475		9.125%, 8/15/13	479,750
		Travelport, LLC	
475		9.875%, 9/1/14	484,500
		West Corp.	
685		9.50%, 10/15/14	671,300
85		11.00%, 10/15/16	85,000
			\$ 4,288,750
Cable and Satellite Television	0.5%		
		Cablevision Systems Corp., Series B	
\$	135	8.00%, 4/15/12	\$ 126,562
		Cablevision Systems Corp., Sr. Notes, Series B, Variable Rate	
120		9.82%, 4/1/09	121,200
		CCH I Holdings, LLC	
320		11.75%, 5/15/14	307,200
		CCH I, LLC/CCH I Capital Co.	
295		11.00%, 10/1/15	296,475
		CCH II, LLC/CCH II Capital Co.	
260		10.25%, 9/15/10	265,200
		CCO Holdings, LLC / CCO Capital Corp., Sr. Notes	
730		8.75%, 11/15/13	726,350
		CSC Holdings, Inc.	
75		6.75%, 4/15/12	68,437
		CSC Holdings, Inc., Series B	
100		7.625%, 4/1/11	96,250
		CSC Holdings, Inc., Sr. Notes	
135		8.125%, 7/15/09	135,000
		Insight Communications, Sr. Disc. Notes	
380		12.25%, 2/15/11	394,250
		Kabel Deutschland GmbH	
190		10.625%, 7/1/14	197,600
		Mediacom Broadband Corp., LLC, Sr. Notes	
205		8.50%, 10/15/15 (5)	196,800
		National Cable, PLC	
135		8.75%, 4/15/14	135,675
			\$ 3,066,999
Chemicals and Plastics	0.4%		
		Equistar Chemical, Sr. Notes	
\$	65	10.625%, 5/1/11	\$ 68,250

		Huntsman International, LLC	
\$	272	11.625%, 10/15/10	\$ 289,680
		INEOS Group Holdings PLC	
355		8.50%, 2/15/16 (5)	326,600
		Lyondell Chemical Co., Sr. Notes	
938		10.50%, 6/1/13	1,017,730
		MacDermid, Inc., Sr. Sub. Notes	
125		9.50%, 4/15/17 (5)	114,375
		Mosaic Co., Sr. Notes	
125		7.375%, 12/1/14 (5)	125,000
40		7.625%, 12/1/16 (5)	40,400
		Nova Chemicals Corp., Sr. Notes, Variable Rate	
195		8.484%, 11/15/13	191,100
		Reichhold Industries, Inc., Sr. Notes	
395		9.00%, 8/15/14 (5)	389,075
			\$ 2,562,210
Clothing/Textiles 0.3%			
		Levi Strauss & Co., Sr. Notes	
\$	140	9.75%, 1/15/15	\$ 142,100
470		8.875%, 4/1/16	455,900
		Oxford Industries, Inc., Sr. Notes	
735		8.875%, 6/1/11	746,025
		Perry Ellis International, Inc., Sr. Sub. Notes	
250		8.875%, 9/15/13	246,250
		Phillips Van-Heusen, Sr. Notes	
55		7.25%, 2/15/11	55,000
			\$ 1,645,275
Conglomerates 0.1%			
		Goodman Global Holdings, Inc., Sr. Notes, Variable Rate	
\$	210	8.36%, 6/15/12	\$ 208,425
		RBS Global & Rexnord Corp.	
175		9.50%, 8/1/14	169,750
155		11.75%, 8/1/16	155,775
			\$ 533,950
Containers and Glass Products 0.4%			
		Berry Plastics Holding Corp.	
\$	400	8.875%, 9/15/14	\$ 386,000
		Berry Plastics Holding Corp., Variable Rate	
110		9.235%, 9/15/14	106,150
		Intertape Polymer US, Inc., Sr. Sub. Notes	
310		8.50%, 8/1/14	280,550
		Pliant Corp. (PIK)	
1,282		11.85%, 6/15/09 (4)	1,346,307
			\$ 2,119,007

Cosmetics/Toiletries 0.0%		
	Revlon Consumer Products Corp., Sr. Sub. Notes	
\$ 150	8.625%, 2/1/08	\$ 141,375
		\$ 141,375
Ecological Services and Equipment 0.1%		
	Waste Services, Inc., Sr. Sub. Notes	
\$ 440	9.50%, 4/15/14	\$ 448,800
		\$ 448,800
Electronics/Electrical 0.3%		
	Advanced Micro Devices, Inc., Sr. Notes	
\$ 170	7.75%, 11/1/12	\$ 150,025
	Amkor Technologies, Inc., Sr. Notes	
55	7.75%, 5/15/13	50,394
	Avago Technologies Finance	
90	11.875%, 12/1/15	99,000
	Avago Technologies Finance, Variable Rate	
170	10.125%, 12/1/13	176,800
	CPI Holdco, Inc., Sr. Notes, Variable Rate	
95	11.151%, 2/1/15	98,562
	NXP BV/NXP Funding, LLC	
145	7.875%, 10/15/14	134,669
	NXP BV/NXP Funding, LLC, Variable Rate	
775	8.11%, 10/15/13	725,594
	Open Solutions, Inc., Sr. Sub. Notes	
55	9.75%, 2/1/15 (5)	53,350
		\$ 1,488,394
Financial Intermediaries 2.2%		
	Alzette, Variable Rate	
\$ 750	11.86%, 12/15/20 (4)(5)	\$ 740,767
	Avalon Capital Ltd. 3, Series 1A, Class D, Variable Rate	
760	7.31%, 2/24/19 (4)(5)	714,910
	Babson Ltd., 2005-1A, Class C1, Variable Rate	
1,000	7.31%, 4/15/19 (4)(5)	917,710
	Bryant Park CDO Ltd., Series 2005-1A, Class C, Variable Rate	
1,000	7.41%, 1/15/19 (4)(5)	927,146
	Carlyle High Yield Partners, Series 2004-6A, Class C, Variable Rate	
1,000	7.81%, 8/11/16 (4)(5)	970,521
	Centurion CDO 8 Ltd., Series 2005-8A, Class D, Variable Rate	
1,000	10.85%, 3/8/17 (4)	953,880
	Centurion CDO 9 Ltd., Series 2005-9A	
750	9.35%, 7/17/19 (4)	676,222
	Comstock Funding, Ltd., Series 2006-1A, Class D	
750	9.61%, 5/30/20 (4)(5)	594,501
31		

		Dryden Leveraged Loan, Series 2004-6A, Class C1, Variable Rate	
\$	1,500	7.91%, 7/30/16 (4)(5)	\$ 1,458,084
		First CLO, Ltd., Sr. Sub. Notes, Variable Rate	
1,000		7.68%, 7/27/16 (4)(5)	962,320
		Ford Motor Credit Co.	
200		6.625%, 6/16/08	198,724
715		7.375%, 10/28/09	690,619
340		7.875%, 6/15/10	325,339
		General Motors Acceptance Corp.	
400		6.375%, 5/1/08	395,000
100		5.85%, 1/14/09	96,689
110		6.61%, 5/15/09	105,839
160		7.75%, 1/19/10	155,949
40		7.00%, 2/1/12	37,428
440		8.00%, 11/1/31	414,256
		Schiller Park CLO Ltd., 2007-1A D, Variable Rate	
1,000		7.107%, 4/25/21 (4)(5)	910,658
		Sonata Securities S.A., Series 2006-6	
661		8.85%, 12/28/07	667,746
			\$ 12,914,308
Food Products	0.1%		
		ASG Consolidated, LLC / ASG Finance, Inc., Sr. Disc. Notes	
\$	495	11.50%, 11/1/11	\$ 457,875
		Dole Food Co., Inc.	
210		7.25%, 6/15/10	193,725
		Dole Foods Co., Sr. Notes	
45		8.625%, 5/1/09	43,650
		Pierre Foods, Inc., Sr. Sub. Notes	
55		9.875%, 7/15/12	54,725
			\$ 749,975
Food Service	0.2%		
		Aramark Corp., Sr. Notes	
\$	250	8.50%, 2/1/15 (5)	\$ 236,875
		Aramark Corp., Sr. Notes, Variable Rate	
340		8.856%, 2/1/15 (5)	317,900
		El Pollo Loco, Inc.	
370		11.75%, 11/15/13	375,550
		NPC International, Inc., Sr. Sub. Notes	
330		9.50%, 5/1/14	305,250
			\$ 1,235,575
Food/Drug Retailers	0.4%		
		General Nutrition Center, Sr. Notes, Variable Rate (PIK)	
\$	345	9.796%, 3/15/14 (5)	\$ 322,575
		General Nutrition Center, Sr. Sub. Notes	
345		10.75%, 3/15/15 (5)	327,750
32			

		Rite Aid Corp.	
\$	685	6.125%, 12/15/08 (5)	\$ 673,012
	285	7.50%, 1/15/15	267,900
	80	8.625%, 3/1/15	69,200
	630	9.50%, 6/15/17 (5)	560,700
			\$ 2,221,137
Forest Products	0.1%		
		Abitibi-Consolidated Finance	
\$	95	7.875%, 8/1/09	\$ 90,962
	5	Georgia-Pacific Corp. 9.50%, 12/1/11	5,150
	75	Jefferson Smurfit Corp. 7.50%, 6/1/13	70,687
	30	JSG Funding PLC, Sr. Notes 9.625%, 10/1/12	31,500
	440	NewPage Corp. 10.00%, 5/1/12	451,000
	135	NewPage Corp., Variable Rate 11.606%, 5/1/12	145,125
			\$ 794,424
Healthcare	0.7%		
		Accellent, Inc.	
\$	210	10.50%, 12/1/13	\$ 202,650
	70	Advanced Medical Optics 7.50%, 5/1/17	64,050
	325	AMR HoldCo, Inc., Sr. Sub. Notes 10.00%, 2/15/15	342,875
	635	HCA, Inc. 8.75%, 9/1/10	619,125
	150	7.875%, 2/1/11	144,378
	195	9.125%, 11/15/14 (5)	193,050
	600	9.25%, 11/15/16 (5)	597,000
		Iasis Healthcare	
	65	8.75%, 6/15/14	62,725
	485	MultiPlan, Inc., Sr. Sub. Notes 10.375%, 4/15/16 (5)	477,725
	225	National Mentor Holdings, Inc., Sr. Sub. Notes 11.25%, 7/1/14	238,500
	195	Res-Care, Inc., Sr. Notes 7.75%, 10/15/13	195,975
	240	Service Corp. International, Sr. Notes 7.00%, 6/15/17	219,600
	40	Universal Hospital Service, Inc. (PIK) 8.50%, 6/1/15 (5)	36,300
	33		

		Universal Hospital Service, Inc., Variable Rate	
\$	40	8.759%, 6/1/15 (5)	\$ 37,500
		US Oncology, Inc.	
265		9.00%, 8/15/12	265,000
515		10.75%, 8/15/14	522,725
		Varietal Distribution Merger, Inc., Sr. Notes (PIK)	
40		10.25%, 7/15/15 (5)	37,700
			\$ 4,256,878
Home Furnishings	0.0%		
		Interline Brands, Inc., Sr. Sub. Notes	
\$	135	8.125%, 6/15/14	\$ 134,325
			\$ 134,325
Industrial Equipment	0.1%		
		Chart Industries, Inc., Sr. Sub. Notes	
\$	195	9.125%, 10/15/15	\$ 201,825
		ESCO Corp., Sr. Notes	
145		8.625%, 12/15/13 (5)	142,825
		ESCO Corp., Sr. Notes, Variable Rate	
145		9.235%, 12/15/13 (5)	140,287
			\$ 484,937
Leisure Goods/Activities/Movies	0.4%		
		Bombardier, Inc., Sr. Notes	
\$	130	8.00%, 11/15/14 (5)	\$ 129,350
		HRP Myrtle Beach Operations, LLC/HRP Myrtle Beach Capital Corp.	
195		12.50%, 4/1/13 (5)	203,775
		HRP Myrtle Beach Operations, LLC/HRP Myrtle Beach Capital Corp., Variable Rate	
360		10.07%, 4/1/12 (5)	366,300
		Marquee Holdings, Inc., Sr. Disc. Notes	
790		12.00%, 8/15/14	675,450
		Universal City Development Partners, Sr. Notes	
325		11.75%, 4/1/10	342,062
		Universal City Florida Holdings, Sr. Notes, Variable Rate	
615		10.106%, 5/1/10	621,150
			\$ 2,338,087
Lodging and Casinos	1.1%		
		Buffalo Thunder Development Authority	
\$	375	9.375%, 12/15/14 (5)	\$ 350,625
		CCM Merger, Inc.	
230		8.00%, 8/1/13 (5)	227,700
		Chukchansi EDA, Sr. Notes, Variable Rate	
280		8.859%, 11/15/12 (5)	282,800
34			

	Fontainebleau Las Vegas Casino, LLC	
\$ 485	10.25%, 6/15/15 (5)	\$ 420,737
	Galaxy Entertainment Finance	
200	9.875%, 12/15/12 (5)	214,750
	Galaxy Entertainment Finance, Variable Rate	
175	10.409%, 12/15/10 (5)	183,750
	Greektown Holdings, LLC, Sr. Notes	
200	10.75%, 12/1/13 (5)	206,000
	Host Hotels & Resorts L.P., Sr. Notes	
185	6.875%, 11/1/14	179,450
	Inn of the Mountain Gods, Sr. Notes	
625	12.00%, 11/15/10	665,625
	Las Vegas Sands Corp.	
35	6.375%, 2/15/15	32,375
	Majestic HoldCo, LLC, (0.00% until 2008)	
140	12.50%, 10/15/11 (5)	102,900
	Majestic Star Casino, LLC	
340	9.50%, 10/15/10	345,100
	MGM Mirage, Inc.	
160	7.50%, 6/1/16	149,600
	Mohegan Tribal Gaming Authority, Sr. Sub. Notes	
95	8.00%, 4/1/12	96,662
	OED Corp./Diamond Jo, LLC	
475	8.75%, 4/15/12	477,375
	Pinnacle Entertainment Inc., Sr. Sub. Notes	
140	7.50%, 6/15/15 (5)	129,500
	Pokagon Gaming Authority, Sr. Notes	
110	10.375%, 6/15/14 (5)	118,250
	San Pasqual Casino	
305	8.00%, 9/15/13 (5)	304,237
	Seminole Hard Rock Entertainment, Variable Rate	
175	7.86%, 3/15/14 (5)	172,375
	Station Casinos, Inc.	
55	7.75%, 8/15/16	51,837
	Station Casinos, Inc., Sr. Notes	
95	6.00%, 4/1/12	87,400
	Trump Entertainment Resorts, Inc.	
1,205	8.50%, 6/1/15	1,021,237
	Tunica-Biloxi Gaming Authority, Sr. Notes	
310	9.00%, 11/15/15 (5)	311,550
	Turning Stone Resort Casinos, Sr. Notes	
75	9.125%, 9/15/14 (5)	76,125
	Waterford Gaming, LLC, Sr. Notes	
64	8.625%, 9/15/12 (5)	65,600
35		

		Wynn Las Vegas, LLC	
\$	150	6.625%, 12/1/14	\$ 139,875
			\$ 6,413,435
Nonferrous Metals/Minerals 0.4%			
		Aleris International, Inc., Sr. Notes	
\$	260	9.00%, 12/15/14 (5)	\$ 244,400
		Aleris International, Inc., Sr. Sub. Notes	
630		10.00%, 12/15/16 (5)	567,000
		Alpha Natural Resources, Sr. Notes	
135		10.00%, 6/1/12	138,375
		FMG Finance PTY, Ltd., Variable Rate	
195		9.36%, 9/1/11 (5)	204,750
490		10.625%, 9/1/16 (5)	563,500
		Novelis, Inc., Sr. Notes	
380		7.25%, 2/15/15	382,850
			\$ 2,100,875
Oil and Gas 0.9%			
		Allis-Chalmers Energy, Inc.	
\$	90	8.50%, 3/1/17	\$ 86,625
		Allis-Chalmers Energy, Inc., Sr. Notes	
445		9.00%, 1/15/14	442,775
		Cimarex Energy Co., Sr. Notes	
120		7.125%, 5/1/17	114,000
		Clayton Williams Energy, Inc.	
160		7.75%, 8/1/13	144,000
		Compton Pet Finance Corp.	
360		7.625%, 12/1/13	338,400
		Copano Energy, LLC, Sr. Notes	
70		8.125%, 3/1/16	70,350
		Denbury Resources, Inc., Sr. Sub. Notes	
50		7.50%, 12/15/15	48,250
		El Paso Corp., Sr. Notes	
225		9.625%, 5/15/12	249,185
		Encore Acquisition Co., Sr. Sub. Notes	
155		7.25%, 12/1/17	140,275
		Ocean Rig Norway AS, Sr. Notes	
225		8.375%, 7/1/13 (5)	225,000
		OPTI Canada, Inc.	
95		7.875%, 12/15/14 (5)	93,575
180		8.25%, 12/15/14 (5)	180,900
		Parker Drilling Co., Sr. Notes	
100		9.625%, 10/1/13	106,875
		Petrohawk Energy Corp., Sr. Notes	
795		9.125%, 7/15/13	822,825
36			

		Petroplus Finance, Ltd.	
\$	165	7.00%, 5/1/17 (5)	\$ 151,388
		Plains Exploration & Production Co.	
255		7.00%, 3/15/17	228,863
		Quicksilver Resources, Inc.	
210		7.125%, 4/1/16	195,825
		SemGroup L.P., Sr. Notes	
540		8.75%, 11/15/15 (5)	534,600
		Sesi, LLC, Sr. Notes	
60		6.875%, 6/1/14	56,100
		Stewart & Stevenson, LLC, Sr. Notes	
305		10.00%, 7/15/14 (5)	315,675
		United Refining Co., Sr. Notes	
645		10.50%, 8/15/12 (5)	654,675
190		10.50%, 8/15/12	192,850
		VeraSun Energy Corp.	
105		9.875%, 12/15/12	108,413
			\$ 5,501,424
Publishing	0.2%		
		CBD Media, Inc., Sr. Sub. Notes	
\$	125	8.625%, 6/1/11	\$ 125,313
		Clarke American Corp., Sr. Notes	
100		9.50%, 5/15/15 (5)	91,750
		Deluxe Corp., Sr. Notes	
55		7.375%, 6/1/15 (5)	53,900
		Dex Media West, LLC, Sr. Sub. Notes	
127		9.875%, 8/15/13	133,985
		Idearc, Inc., Sr. Notes	
220		8.00%, 11/15/16	209,550
		MediaNews Group, Inc., Sr. Sub. Notes	
100		6.875%, 10/1/13	84,500
		MediMedia USA, Inc., Sr. Sub Notes	
150		11.375%, 11/15/14 (5)	158,250
		Reader s Digest Association, Sr. Sub. Notes	
595		9.00%, 2/15/17 (5)	511,700
			\$ 1,368,948
Radio and Television	0.3%		
		CanWest Media, Inc.	
\$	464	8.00%, 9/15/12	\$ 447,552
		Intelsat Bermuda, Ltd.	
325		9.25%, 6/15/16	333,125
		LBI Media, Inc.	
165		10.125%, 7/15/12	173,663
		Rainbow National Services, LLC, Sr. Notes	
180		8.75%, 9/1/12 (5)	185,400

		Rainbow National Services, LLC, Sr. Sub. Debs.	
\$	645	10.375%, 9/1/14 (5)	\$ 706,275
			\$ 1,846,015
Rail Industries	0.1%		
		American Railcar Industry	
\$	175	7.50%, 3/1/14	\$ 171,500
		Kansas City Southern Mexico, Sr. Notes	
245		7.625%, 12/1/13 (5)	245,613
55		7.375%, 6/1/14 (5)	53,488
		Kansas City Southern Railway Co.	
95		9.50%, 10/1/08	97,969
			\$ 568,570
Retailers (Except Food and Drug)	0.8%		
		Amscan Holdings, Inc., Sr. Sub. Notes	
\$	250	8.75%, 5/1/14	\$ 226,250
		AutoNation, Inc., Variable Rate	
135		7.36%, 4/15/13	126,225
		Bon-Ton Department Stores, Inc.	
435		10.25%, 3/15/14	393,675
		GameStop Corp.	
1,385		8.00%, 10/1/12	1,407,506
		Michaels Stores, Inc., Sr. Notes	
390		10.00%, 11/1/14 (5)	380,250
		Michaels Stores, Inc., Sr. Sub. Notes	
295		11.375%, 11/1/16 (5)	286,150
		Neiman Marcus Group, Inc.	
310		9.00%, 10/15/15	324,725
1,010		10.375%, 10/15/15	1,068,075
		Toys R US Corp.	
215		7.375%, 10/15/18	163,400
		Yankee Acquisition Corp.	
200		8.50%, 2/15/15	185,000
			\$ 4,561,256
Steel	0.1%		
		AK Steel Corp.	
\$	41	7.875%, 2/15/09	\$ 41,205
		Ispat Inland ULC, Sr. Notes	
199		9.75%, 4/1/14	217,057
		RathGibson, Inc., Sr, Notes	
445		11.25%, 2/15/14	460,575
			\$ 718,837
38			

Surface Transport 0.0%			
		Horizon Lines, LLC	
\$	217	9.00%, 11/1/12	\$ 231,648
			\$ 231,648
Telecommunications 0.8%			
		Alamosa Delaware, Inc., Sr. Notes	
\$	515	11.00%, 7/31/10	\$ 545,534
		Centennial Cellular Operating Co., LLC, Sr. Notes	
205		10.125%, 6/15/13	216,019
		Digicel Group, Ltd., Sr. Notes	
275		9.25%, 9/1/12 (5)	279,125
310		8.875%, 1/15/15 (5)	285,975
342		9.125%, 1/15/15 (5)	315,949
		iPCS, Inc., Variable Rate	
120		7.485%, 5/1/13 (5)	116,400
		Level 3 Financing, Inc., Sr. Notes	
225		9.25%, 11/1/14	216,000
325		8.75%, 2/15/17 (5)	300,625
		Qwest Capital Funding, Inc.	
130		7.00%, 8/3/09	128,700
50		7.90%, 8/15/10	49,625
		Qwest Communications International, Inc.	
500		7.50%, 2/15/14	482,500
		Qwest Communications International, Inc., Sr. Notes	
65		7.50%, 11/1/08	64,675
		Qwest Corp., Sr. Notes	
140		7.625%, 6/15/15	137,900
		Qwest Corp., Sr. Notes, Variable Rate	
985		8.61%, 6/15/13	1,024,400
		Windstream Corp., Sr. Notes	
190		8.125%, 8/1/13	193,088
60		8.625%, 8/1/16	61,050
			\$ 4,417,565
Utilities 0.3%			
		Dynegy Holdings, Inc.	
\$	195	8.375%, 5/1/16	\$ 182,325
30		7.75%, 6/1/19 (5)	26,100
		Edison Mission Energy	
100		7.50%, 6/15/13	97,000
		Edison Mission Energy, Sr. Notes	
150		7.00%, 5/15/17 (5)	136,125
		InterGen NV	
160		9.00%, 6/30/17 (5)	158,400
		NGC Corp.	
390		7.625%, 10/15/26	321,750
39			

	NRG Energy, Inc.	
\$ 140	7.25%, 2/1/14	\$ 135,450
355	7.375%, 1/15/17	343,463
	NRG Energy, Inc., Sr. Notes	
120	7.375%, 2/1/16	116,100
	Reliant Energy, Inc., Sr. Notes	
20	7.625%, 6/15/14	19,200
195	7.875%, 6/15/17	186,225
		\$ 1,722,138
Total Corporate Bonds & Notes (identified cost, \$79,524,513)		\$ 77,816,863

Common Stocks 0.1%

Shares	Security	Value
22,932	Delta Air Lines, Inc.	\$ 408,648
1,000,000	Delta Air Lines, Inc. (4)(6)	73,125
32,088	Trump Entertainment Resorts, Inc. (6)	214,990
Total Common Stocks (identified cost, \$1,204,202)		\$ 696,763

Convertible Bonds 0.1%

Principal Amount	Security	Value
\$ 310,000	L-3 Communications Corp. (5)	\$ 347,975
Total Convertible Bonds (identified cost, \$313,238)		\$ 347,975

Convertible Preferred Stocks 0.0%

Shares	Security	Value
1,007	Chesapeake Energy Corp., 4.50%	\$ 101,898
934	Crown Castle International Corp., 6.25% (PIK)	53,939
Total Convertible Preferred Stocks (identified cost, \$142,317)		\$ 155,837

Closed-End Investment Companies 1.8%

Shares	Security	Value
20,000	Blackrock Floating Rate Income Strategies Fund II, Inc.	\$ 347,600
25,000	Blackrock Floating Rate Income Strategies Fund, Inc.	443,750
125,000	First Trust / Four Corners Senior Floating Rate Income Fund II	2,163,750
895,800	ING Prime Rate Trust	6,216,852
87,500	LMP Corporate Loan Fund, Inc.	1,147,125
Total Closed-End Investment Companies (identified cost, \$11,209,593)		\$ 10,319,077

Total Investments 166.9%		
(identified cost \$1,019,143,095)		\$988,470,401
Less Unfunded Loans		
Commitments (1.2)%		\$(7,355,330)
Net Investments 165.7%		
(identified cost \$1,011,787,765)		\$981,115,071
Other Assets, Less Liabilities 0.9%		\$5,319,236
Auction Preferred Shares Plus Cumulative Unpaid Dividends (66.6)%		\$(394,356,426)
Net Assets Applicable to Common Shares 100.0%		\$592,077,881

PIK Payment in Kind

EUR Euro

GBP British Pound

- (1) Senior floating-rate interests often require prepayments from excess cash flows or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturities shown. However, it is anticipated that the senior floating-rate interests will have an expected average life of approximately two to three years. The stated interest rate represents the weighted average interest rate of all contracts within the senior loan facility. Senior Loans typically have rates of interest which are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium. These base lending rates are primarily the London-Interbank Offered Rate (LIBOR), and secondarily the prime rate offered by one or more major United States banks (the Prime Rate) and the certificate of deposit (CD) rate or other base lending rates used by commercial lenders.
- (2) Unfunded or partially unfunded loan commitments. The Fund may enter into certain credit agreements all or a portion of which may be unfunded. The Fund is obligated to fund these commitments at the Borrower s discretion.
- (3) This Senior Loan will settle after July 31, 2007, at which time the interest rate will be determined.
- (4) Security valued at fair value using methods determined in good faith by or at the direction of the Trustees.
- (5) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At July 31, 2007, the aggregate value of the securities is \$28,020,002 or 4.7% of the Trust s net assets.
- (6) Non-income producing security.

A summary of financial instruments at July 31, 2007 is as follows:

Forward Foreign Currency Exchange Contracts

Sales

Settlement Date	Deliver	In Exchange For	Net Unrealized Appreciation (Depreciation)
8/31/07	Pound 13,483,788	United States Dollar 27,301,935	\$ (87,251)
8/31/07	Euro 36,614,663	United States Dollar 50,170,102	565
			\$ (86,686)

Credit Default Swaps

The Fund has entered into credit default swaps whereby the Fund is buying or selling protection against default exposing the Fund to risks associated with changes in credit spreads of the underlying instrument.

Counterparty	Reference Entity	Buy/Sell	Notional Amount (000 s omitted)	Receive Annual Fixed Rate	Termination Date	Net Unrealized Appreciation (Depreciation)
Lehman Brothers, Inc.	Inergy, L.P	Buy	\$ 2,000	2.20 %	3/20/2010	\$ 59,318
JPMorgan Chase, N.A.	LCDX Series 8	Sell	5,000	1.20	6/20/2012	(253,363)
						\$ (194,045)

At July 31, 2007, the Trust had sufficient cash and/or securities segregated to cover potential obligations under these contracts.

The cost and unrealized appreciation (depreciation) in value of the investments owned by the Trust at July 31, 2007, as computed on a federal income tax basis, were as follows:

Aggregate cost	\$	1,012,457,684
Gross unrealized appreciation	\$	1,408,882
Gross unrealized depreciation		(32,751,495)
Net unrealized depreciation	\$	(31,342,613)

Item 2. Controls and Procedures

(a) It is the conclusion of the registrant's principal executive officer and principal financial officer that the effectiveness of the registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant on this Form N-Q has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the registrant on this Form N-Q has been accumulated and communicated to the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

(b) There have been no changes in the registrant's internal controls over financial reporting during the fiscal quarter for which the report is being filed that have materially affected, or are reasonably likely to materially affect the registrant's internal control over financial reporting.

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.

Eaton Vance Senior Floating-Rate Trust

By: /s/ Thomas E. Faust Jr.
Thomas E. Faust Jr.
President
Date: September 21, 2007

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/ Thomas E. Faust Jr.
Thomas E. Faust Jr.
President
Date: September 21, 2007
By: /s/ Barbara E. Campbell
Barbara E. Campbell
Treasurer
Date: September 21, 2007
