

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-30D

November 25, 2014

Babson Capital
Participation Investors

Report for the
Nine Months Ended September 30, 2014

Adviser

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

Transfer Agent & Registrar

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

Independent Registered Public Accounting Firm

KPMG LLP
Boston, Massachusetts 02110

Internet Website

www.babsoncapital.com/mpv

Counsel to the Trust

Ropes & Gray LLP
Boston, Massachusetts 02110

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

Custodian

State Street Bank and Trust Company
Boston, Massachusetts 02116

Investment Objective and Policy

Babson Capital Participation Investors (the "Trust") is a closed-end management investment company, first offered to the public in 1988, whose shares are traded on the New York Stock Exchange under the trading symbol "MPV". The Trust's share price can be found in the financial section of most newspapers under either the New York Stock Exchange listings or Closed-End Fund Listings.

The Trust's investment objective is to maximize total return by providing a high level of current income, the potential for growth of income, and capital appreciation. The Trust's principal investments are privately placed, below-investment grade (as defined below), long-term debt obligations purchased directly from their issuers, which tend to be smaller companies. These investments may include equity features such as warrants, conversion rights, or other equity features that provide the Trust with the opportunity to realize capital gains. The Trust will also invest in publicly traded debt securities (including high yield securities), and in convertible preferred stocks and, subject to certain limitations, readily marketable equity securities. Below-investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest

Babson Capital manages the Trust on a total return basis. The Trust distributes substantially all of its net income to shareholders each year. Accordingly, the Trust pays dividends to shareholders in January, May, August, and November. All registered shareholders are automatically enrolled in the Dividend Reinvestment and Cash Purchase Plan unless cash distributions are requested.

Form N-Q

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

Proxy Voting Policies & Procedures; Proxy Voting Record

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital. A description of Babson Capital's proxy voting policies and procedures is

and repay principal. The Trust is prohibited from purchasing below-investment grade securities if, after giving effect to the purchase, more than 75% of the Trusts' total assets would be invested in below-investment grade securities, which are securities that are rated, at the time of purchase, BB or B by S&P or Ba or B by Moody's, or, if unrated, are believed by Babson Capital Management LLC ("Babson Capital") to be of an equivalent quality. In addition, the Trust will not invest in any debt security that is rated, at the time of acquisition, below B by S&P or Moody's, or if unrated, is believed by Babson Capital to be of an equivalent quality. In addition, the Trust may invest in high quality, readily marketable securities.

available (1) without charge, upon request, by calling, toll-free 866-399-1516; (2) on the Trust's website: <http://www.babsoncapital.com/mpv>; and (3) on the SEC's website at <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (1) on the Trust's website: <http://www.babsoncapital.com/mpv>; and (2) on the SEC's website at <http://www.sec.gov>.

Babson Capital Participation Investors

TO OUR SHAREHOLDERS

October 31, 2014

We are pleased to present the September 30, 2014 Quarterly Report of Babson Capital Participation Investors (the "Trust").

The Board of Trustees declared a quarterly dividend of \$0.27 per share, payable on November 14, 2014 to shareholders of record on November 3, 2014. The Trust paid a \$0.27 per share dividend for the preceding quarter. The Trust earned \$0.29 per share of net investment income, including \$0.08 per share of non-recurring income, for the third quarter of 2014, compared to \$0.24 per share, including \$0.02 per share of non-recurring income, in the previous quarter.

During the third quarter, the net assets of the Trust increased to \$140,207,012 or \$13.63 per share compared to \$139,691,726 or \$13.60 per share on June 30, 2014. This translates into a 2.2% total return for the quarter, based on the change in the Trust's net assets assuming the reinvestment of all dividends. Longer term, the Trust returned 13.3%, 12.8%, 13.7%, and 12.6% for the 1, 3, 5, and 10-year periods, respectively, based on the change in the Trust's net assets assuming the reinvestment of all dividends.

The Trust's share price decreased 0.6% during the quarter, from \$13.68 per share as of June 30, 2014 to \$13.60 per share as of September 30, 2014. The Trust's market price of \$13.60 per share equates to a 0.2% discount below the September 30, 2014 net asset value per share of \$13.63. The Trust's average quarter-end premium for the 3, 5 and 10-year periods was 12.4%, 12.8% and 9.9%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, decreased 7.4% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, decreased 1.9% for the quarter.

The Trust closed three new private placement investments, as well as two "add-on" investments in existing portfolio companies, during the third quarter. The three new investments were in Avantech Testing Services LLC, MES Partners, Inc. and Polytex Holdings LLC, while the two add-on investments were in ARI Holding Corporation and Church Services Holding Company. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in these transactions was \$3,764,000.

We are pleased with the level of new investment activity in the third quarter. Middle market merger and acquisition activity has remained robust so far in the fourth quarter, and we are optimistic about the level of new investment closings for the Trust through year end. The dark cloud on the horizon though, continues to be the high purchase prices and leverage levels that are common in the market today. Purchase price multiples and leverage levels are at or above the peak levels we last saw in 2007. Though we are making new investments in this market, we are doing so cautiously and with discipline, consistent with our longstanding investment philosophy of seeking to take prudent levels of risk and getting paid appropriately for the risk taken. We are not willing to provide financial leverage at levels that we believe are imprudent. This approach has served us well over the long term and through all kinds of market cycles.

The condition of the Trust's existing portfolio remained solid through the third quarter. Sales and earnings for the Trust's portfolio of companies as a whole continued their upward momentum. We had significantly more credit upgrades than downgrades during the quarter. The number of companies on our watch list and in default continues to be at or near the lowest level we have seen over the last five years. We successfully exited eight investments and benefited from dividends associated with the recapitalization of three companies during the third quarter. We realized

significant gains from these transactions. We continue to have a large backlog of portfolio companies that are in the process of being sold, with a number of these expected to close this year. We only had two portfolio companies prepay their debt instruments held by the Trust during the quarter. This low level of prepayment activity is welcome after the unprecedented levels of prepayments we experienced in 2013, when 32 of the Trust's portfolio companies fully or partially prepaid their debt obligations to the Trust.

(Continued)

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The Trust was able to maintain its \$0.27 per share quarterly dividend for the third quarter even though net investment income per share, excluding non-recurring income, was once again below the dividend rate. Net investment income per share from recurring sources has been below the dividend rate for every quarter since the second quarter of 2012. As we have discussed in prior reports, net investment income is down due principally to the considerable reduction in the number of private debt securities in the portfolio resulting from the high level of prepayment and exit activity that has occurred in recent quarters. We have been able to maintain the \$0.27 per share quarterly dividend with current income, non-recurring income and earnings carried forward from prior quarters. Over time, however, the Trust's dividend-paying ability tends to be correlated with its recurring earnings capacity. Absent non-recurring income and earnings carried forward from prior quarters, earnings available for the quarterly dividend would have been approximately \$0.21 per share for the third quarter. This quarter, the Trust earned an unusually high \$0.08 per share of non-recurring income, mostly due to dividend distributions from the recapitalization of a few portfolio companies. This income has replenished the Trust's earnings carry-forwards somewhat and should be available to supplement recurring income for the fourth quarter of 2014. Unless market conditions change dramatically though, it is still unlikely that we will be able to rebuild the portfolio back to its former size in the near term. As a result, it is likely that in 2015 we will have to reduce the dividend from the current \$0.27 per share quarterly rate. We and the Board of Trustees will continue to evaluate the current and future earnings capacity of the Trust and formulate a dividend strategy that is consistent with that earnings level.

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

Sincerely,

Michael L. Klofas
President

* Based on market value of total investments (including cash)

Cautionary Notice: Certain statements contained in this report may be "forward looking" statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made and which reflect management's current estimates, projections, expectations or beliefs, and which are subject to risks and uncertainties that may cause actual results to differ materially. These statements are subject to change at any time based upon economic, market or other conditions and may not be relied upon as investment advice or an indication of the Trust's trading intent. References to specific securities are not recommendations of such securities, and may not be representative of the Trust's current or future investments. We undertake no obligation to publicly update forward looking statements, whether as a result of new information, future events, or otherwise.

Babson Capital Participation Investors

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

September 30, 2014

(Unaudited)

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$84,008,596)	\$83,562,794
Corporate restricted securities at market value (Cost - \$18,012,165)	18,078,369
Corporate public securities at market value (Cost - \$41,975,812)	43,101,237
Short-term securities at amortized cost	5,799,712
Total investments (Cost -\$149,796,285)	150,542,112
Cash	4,662,639
Interest receivable	1,521,185
Other assets	35,107
Total assets	156,761,043

Liabilities:

Note payable	15,000,000
Payable for investments purchased	480,000
Investment advisory fee payable	315,466
Tax payable	292,512
Deferred tax liability	153,395
Interest payable	27,267
Accrued expenses	285,391
Total liabilities	16,554,031
Total net assets	\$ 140,207,012

Net Assets:

Common shares, par value \$.01 per share	\$ 102,874
Additional paid-in capital	96,943,891
Retained net realized gain on investments, prior years	37,186,148
Undistributed net investment income	2,677,311
Accumulated net realized gain on investments	2,704,356
Net unrealized appreciation of investments	592,432
Total net assets	\$ 140,207,012
Common shares issued and outstanding (14,787,750 authorized)	10,287,396
Net asset value per share	\$ 13.63

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

For the nine months ended September 30, 2014

(Unaudited)

Investment Income:	
Interest	\$8,966,338
Dividends	963,456
Other	180,731
Total investment income	10,110,525
Expenses:	
Investment advisory fees	928,729
Interest	460,125
Trustees' fees and expenses	222,000
Professional fees	214,825
Reports to shareholders	66,000
Custodian fees	22,000
Other	226,660
Total expenses	2,140,339
Investment income - net	7,970,186
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	3,847,415
Income tax expense	(85,847)
Net realized gain on investments after taxes	3,761,568
Net change in unrealized appreciation of investments before taxes	1,519,250
Net change in deferred income tax expense	517,165
Net change in unrealized appreciation of investments after taxes	2,036,415
Net gain on investments	5,797,983
Net increase in net assets resulting from operations	\$13,768,169

See Notes to Consolidated Financial Statements

Babson Capital Participation Investors

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2014

(Unaudited)

Net decrease in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$2,709,748
Purchases of portfolio securities	(29,487,001)
Proceeds from disposition of portfolio securities	22,477,991
Interest, dividends and other income received	8,803,514
Interest expense paid	(460,125)
Operating expenses paid	(1,612,981)
Income taxes paid	(127,339)
Net cash provided by operating activities	2,303,807

Cash flows from financing activities:

Cash dividends paid from net investment income	(8,309,859)
Receipts for shares issued on reinvestment of dividends	567,369
Net cash used for financing activities	(7,742,490)

Net decrease in cash	(5,438,683)
Cash - beginning of year	10,101,322
Cash - end of period	\$4,662,639

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

Net increase in net assets resulting from operations	\$13,768,169
Increase in investments	(11,000,557)
Increase in interest receivable	(264,421)
Increase in other assets	(16,984)
Decrease in deferred tax liability	(517,165)
Increase in payable for investments purchased	309,024
Increase in investment advisory fee payable	19,781
Decrease in tax payable	(41,492)
Increase in accrued expenses	47,452
Total adjustments to net assets from operations	(11,464,362)
Net cash provided by operating activities	\$2,303,807

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the nine months ended 09/30/2014 (Unaudited)	For the year ended 12/31/2013
Increase in net assets:		
Operations:		
Investment income - net	\$ 7,970,186	\$ 10,228,050
Net realized gain on investments after taxes	3,761,568	(1,116,143)
Net change in unrealized appreciation of investments after taxes	2,036,415	4,650,973
Net increase in net assets resulting from operations	13,768,169	13,762,880
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2014 - 43,229; 2013 - 60,918)	567,369	817,760
Dividends to shareholders from:		
Net investment income (2014 - \$0.54 per share; 2013 - \$1.08 per share)	(5,543,934)	(11,039,357)
Total increase in net assets	8,791,604	3,541,283
Net assets, beginning of year	131,415,408	127,874,125
Net assets, end of period/year (including undistributed net investment income of \$2,677,311 and \$251,059, respectively)	\$ 140,207,012	\$ 131,415,408

See Notes to Consolidated Financial Statements

Babson Capital Participation Investors

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	For the nine months ended 09/30/2014 (Unaudited)	For the years ended December 31,						
		2013	2012	2011	2010	2009		
Net asset value:								
Beginning of year	\$ 12.83	\$ 12.56	\$ 11.90	\$ 11.89	\$ 10.91	\$ 11.10		
Net investment income (a)	0.78	1.00	1.08	1.14	1.02	0.94		
Net realized and unrealized gain (loss) on investments	0.56	0.35	0.64	0.08	0.95	(0.13)		
Total from investment operations	1.34	1.35	1.72	1.22	1.97	0.81		
Dividends from net investment income to common shareholders	(0.54)	(1.08)	(1.04)	(1.23)	(1.00)	(1.00)		
Dividends from realized gain on investments to common shareholders	-	-	(0.04)	(0.00)	(b) -	-		
Increase from dividends reinvested	0.00	(0.00)	(b) 0.02	0.02	0.01	(0.00)	(b)	
Total dividends	(0.54)	(1.08)	(1.06)	(1.21)	(0.99)	(1.00)		
Net asset value: End of period/year	\$ 13.63	\$ 12.83	\$ 12.56	\$ 11.90	\$ 11.89	\$ 10.91		
Per share market value:								
End of period/year	\$ 13.60	\$ 12.88	\$ 13.91	\$ 15.85	\$ 13.88	\$ 12.20		
Total investment return								
Net asset value (c)	10.61 %	10.97 %	15.89 %	10.56 %	18.71 %	7.60 %		
Market value (c)	10.03 %	0.47 %	(4.54 %)	24.16 %	22.94 %	40.86 %		
Net assets (in millions):								
End of period/year	\$ 140.21	\$ 131.42	\$ 127.87	\$ 120.32	\$ 119.54	\$ 108.93		
Ratio of total expenses to average net assets	2.18 %	(e) 2.15 %	2.83 %	2.18 %	2.53 %	2.04 %		
Ratio of operating expenses to average net assets	1.65 %	(e) 1.51 %	1.51 %	1.42 %	1.46 %	1.41 %		
Ratio of interest expense to average net assets	0.45 %	(e) 0.47 %	0.49 %	0.56 %	0.61 %	0.63 %		

Ratio of income tax expense to average net assets (d)	0.08	%(e)	0.17	%	0.83	%	0.20	%	0.46	%	0.00	%
Ratio of net investment income to average net assets	7.84	%(e)	7.77	%	8.82	%	9.33	%	8.96	%	8.55	%
Portfolio turnover	16	%	30	%	34	%	21	%	27	%	23	%

- (a) Calculated using average shares.
- (b) Rounds to less than \$0.01 per share.
- (c) Net asset value return represents portfolio returns based on change in the Trust's net asset value assuming the reinvestment of all dividends and distributions which differs from the total investment return based on the Trust's market value due to the difference between the Trust's net asset value and the market value of its shares outstanding; past performance is no guarantee of future results.
- (d) As additional information, this ratio is included to reflect the taxes paid on retained long-term gains. These taxes paid are netted against realized capital gains in the Statement of Operations. The taxes paid are treated as deemed distributions and a credit for the taxes paid is passed on to shareholders.
- (e) Annualized

Senior borrowings:						
Total principal amount (in millions)	\$ 15	\$ 15	\$ 15	\$ 15	\$ 12	\$ 12
Asset coverage per \$1,000 of indebtedness	\$ 10,347	\$ 9,761	\$ 9,525	\$ 9,021	\$ 10,962	\$ 10,077

See Notes to Consolidated Financial Statements

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2014

(Unaudited)

Corporate Restricted Securities - 72.49%: (A)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Private Placement Investments - 59.60%				
1492 Acquisition LLC				
A leading producer of premium Italian cured meats and deli meats in the U.S.				
14% Senior Subordinated Note due 2019	\$ 674,119	10/17/12	\$ 663,287	\$ 656,110
Limited Liability Company Unit Class A Common (B)	11,364 uts.	10/17/12	11,364	23,351
Limited Liability Company Unit Class A Preferred (B)	102 uts.	10/17/12	102,270	114,802
			776,921	794,263
A H C Holding Company, Inc.				
A designer and manufacturer of boilers and water heaters for the commercial sector.				
Limited Partnership Interest (B)	12.26% int.	11/21/07	96,028	268,077
A S C Group, Inc.				
A designer and manufacturer of high reliability encryption equipment, communications products, computing systems and electronic components primarily for the military and aerospace sectors.				
14% Senior Subordinated Note due 2020	\$ 1,038,842	12/20/13	1,019,796	1,059,619
Limited Liability Company Unit Class A (B)	3,094 uts.	*	153,704	252,387
Limited Liability Company Unit Class B (B)	1,479 uts.	10/09/09	52,999	120,646
* 10/09/09 and 12/20/13.			1,226,499	1,432,652
A W X Holdings Corporation				
A provider of aerial equipment rental, sales and repair services to non-residential construction and maintenance contractors operating in the State of Indiana.				
10.5% Senior Secured Term Note due 2015 (D)	\$ 420,000	05/15/08	413,944	210,000
13% Senior Subordinated Note due 2015 (D)	\$ 420,000	05/15/08	384,627	-
Common Stock (B)	60,000 shs.	05/15/08	60,000	-
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	21,099 shs.	05/15/08	35,654	-
			894,225	210,000
ABC Industries, Inc.				

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

13% Senior Subordinated Note due 2019	\$	500,000	08/01/12	458,357	505,000
		125,000			
Preferred Stock Series A (B) Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)		shs.	08/01/12	125,000	205,601
		22,414 shs.	08/01/12	42,446	34,743
				625,803	745,344

ACP Cascade Holdings LLC

A manufacturer and distributor of vinyl windows and patio doors throughout the northwestern United States.

Limited Liability Company Unit Class B (B)

32 uts.	11/09/12	-	-
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Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS(CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Advanced Manufacturing Enterprises LLC				
A designer and manufacturer of large, custom gearing products for a number of critical customer applications.				
14% Senior Subordinated Note due 2018	\$ 1,134,615	12/07/12	\$ 1,121,321	\$ 1,128,253
Limited Liability Company Unit (B)	1,431 uts.	*	143,077	135,637
* 12/07/12 and 07/11/13.			1,264,398	1,263,890
Advanced Technologies Holdings				
A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	332 shs.	12/27/07	164,016	569,025
Convertible Preferred Stock Series B (B)	28 shs.	01/04/11	21,600	47,709
			185,616	616,734
All Current Holding Company				
A specialty re-seller of essential electrical parts and components primarily serving wholesale distributors.				
Common Stock (B)	713 shs.	09/26/08	71,303	143,369
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	507 shs.	09/26/08	46,584	101,947
			117,887	245,316
American Hospice Management Holding LLC				
A for-profit hospice care provider in the United States.				
12% Senior Subordinated Note due 2014	\$ 1,237,502	*	1,237,097	1,175,627
Preferred Class A Unit (B)	1,706 uts.	**	170,600	-
Preferred Class B Unit (B)	808 uts.	06/09/08	80,789	99,345
Common Class B Unit (B)	16,100 uts.	01/22/04	1	-
Common Class D Unit (B)	3,690 uts.	09/12/06	-	-
* 01/22/04 and 06/09/08.			1,488,487	1,274,972
** 01/22/04 and 09/16/06.				

AMS Holding LLC

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A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.

Limited Liability Company Unit

Class A Preferred (B)	114 uts.	10/04/12	113,636	259,206
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Arch Global Precision LLC

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

14.75% Senior Subordinated Note

due 2018	\$ 809,261	12/21/11	795,148	825,447
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Limited Liability Company Unit

Class B (B)	26 uts.	12/21/11	28,418	82,769
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Limited Liability Company Unit

Class C (B)	224 uts.	12/21/11	221,582	666,604
			1,045,148	1,574,820

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
ARI Holding Corporation				
A leading national supplier of products used primarily by specialty contractors.				
11.5% Senior Subordinated Note due 2020				
	\$ 1,693,960	*	\$ 1,667,715	\$ 1,689,953
Limited Partnership Interest	524 uts.	08/01/14	523,950	373,869
* 05/21/13 and 08/01/14.				
			2,191,665	2,063,822
Arrow Tru-Line Holdings, Inc.				
A manufacturer of hardware for residential and commercial overhead garage doors in North America.				
12% Senior Subordinated Note due 2016				
	\$ 157,795	10/16/09	140,234	157,795
Preferred Stock (B)	33 shs.	10/16/09	33,224	118,313
Common Stock (B)	263 shs.	05/18/05	263,298	19,947
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share				
(B)	69 shs.	05/18/05	59,362	5,230
			496,118	301,285
Avantech Testing Services LLC				
A manufacturer of custom Non-Destructive Testing (“NDT”) systems and provider of NDT and inspections services primarily to the oil country tubular goods market.				
15% Senior Subordinated Note due 2020				
	\$ 495,937	07/31/14	486,278	495,099
Limited Liability Company Unit	36,964 uts.	07/31/14	369,643	351,161
			855,921	846,260
Baby Jogger Holdings LLC				
A designer and marketer of premium baby strollers and stroller accessories.				
14% Senior Subordinated Note due 2019				
	\$ 942,213	04/20/12	928,315	951,635
Common Stock (B)	754 shs.	04/20/12	75,376	132,805
			1,003,691	1,084,440
Blue Wave Products, Inc.				
A distributor of pool supplies.				
10% Senior Secured Term Note due 2018				
	\$ 317,730	10/12/12	313,067	317,730
13% Senior Subordinated Note due 2019				
	\$ 324,051	10/12/12	305,018	326,573

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Common Stock (B)	51,064 shs.	10/12/12	51,064	85,982
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	20,216 shs.	10/12/12	20,216 689,365	34,040 764,325
BP SCI LLC				
A leading value-added distributor of branded pipes, valves, and fittings (PVF) to diversified end markets.				
14% Senior Subordinated Note due 2018	\$ 1,083,231	10/17/12	1,067,363	1,094,064
Limited Liability Company Unit Class A (B)	417 uts.	10/17/12	41,667	135,136
Limited Liability Company Unit Class B (B)	167 uts.	10/17/12	166,666 1,275,696	204,384 1,433,584

Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Bravo Sports Holding Corporation				
A designer and marketer of niche branded consumer products including canopies, trampolines, in-line skates, skateboards, and urethane wheels.				
12.5% Senior Subordinated Note due 2015				
	\$ 1,207,902	06/30/06	\$ 1,205,503	\$ 1,181,543
Preferred Stock Class A (B)	465 shs.	06/30/06	141,946	110,914
Common Stock (B)	1 sh.	06/30/06	152	-
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	164 shs.	06/30/06	48,760	38,980
			1,396,361	1,331,437
C D N T, Inc.				
A value-added converter and distributor of specialty pressure sensitive adhesives, foams, films, and foils.				
12.5% Senior Subordinated Note due 2015				
	\$ 429,070	08/07/08	421,725	429,070
Common Stock (B)	41,860 shs.	08/07/08	41,860	98,784
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	32,914 shs.	08/07/08	32,965	77,673
			496,550	605,527
Capital Specialty Plastics, Inc.				
A producer of desiccant strips used for packaging pharmaceutical products.				
Common Stock (B)	55 shs.	*	252	787,507
*12/30/97, 05/29/99 and 02/28/01.				
CG Holdings Manufacturing Company				
A coating provider serving the automotive, agricultural, heavy truck and other end markets.				
13% Senior Subordinated Note due 2019				
	\$ 1,412,605	*	1,340,747	1,443,693
Preferred Stock (B)	1,350 shs.	*	134,972	140,472

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Preferred Stock (B)	489 shs.	*	48,721	50,913
Common Stock (B)	140 shs.	*	14,864	-
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	58 shs.	05/09/13	5,430	-
*05/09/13 and 11/01/13.			1,544,734	1,635,078

CHG Alternative Education Holding Company

A leading provider of publicly-funded, for profit pre-K-12 education services targeting special needs children at therapeutic day schools and “at risk” youth through alternative education programs.

13.5% Senior Subordinated Note due 2018	\$ 753,647	01/19/11	728,089	761,184
14% Senior Subordinated Note due 2019	\$ 195,870	08/03/12	192,916	197,828
Common Stock (B)	375 shs.	01/19/11	37,500	57,107
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	295 shs.	01/19/11	29,250	44,889
			987,755	1,061,008

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Church Services Holding Company				
A provider of diversified residential services to homeowners in the Houston, Dallas, and Austin markets.				
14.5% Senior Subordinated Note due 2018	\$ 420,549	03/26/12	\$ 411,172	\$ 420,663
10% Senior Subordinated Note due 2015	\$ 6,025	09/15/14	6,025	6,027
Common Stock (B)	1,327 shs.	*	132,700	66,862
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	57 shs.	03/26/12	5,740	2,872
* 03/26/12, 05/25/12 and 06/19/12.			555,637	496,424
Clough, Harbour and Associates				
An engineering service firm that is located in Albany, NY.				
Preferred Stock (B)	147 shs.	12/02/08	146,594	211,819
Connecticut Electric, Inc.				
A supplier and distributor of electrical products sold into the retail and wholesale markets.				
Limited Liability Company Unit Class A (B)	82,613 uts.	01/12/07	82,613	59,984
Limited Liability Company Unit Class C (B)	59,756 uts.	01/12/07	59,756	46,496
Limited Liability Company Unit Class D (B)	671,525 uts.	05/03/10	-	749,628
Limited Liability Company Unit Class E (B)	1,102 uts.	05/03/10	-	-
			142,369	856,108
Connor Sport Court International, Inc.				
A designer and manufacturer of outdoor and indoor synthetic sports flooring and other temporary flooring products.				
Preferred Stock Series B-2 (B)	9,081 shs.	07/05/07	370,796	302,691
Preferred Stock Series C (B)	3,748 shs.	07/05/07	125,207	980,238

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Common Stock (B)	380 shs.	07/05/07	4	174
Limited Partnership Interest (B)	6.88% int.	*	103,135	-
*08/12/04 and 01/14/05.			599,142	1,283,103
CorePharma LLC				
A manufacturer of oral dose generic pharmaceuticals targeted at niche applications.				
Warrant, exercisable until 2015, to purchase common stock at \$.001 per share (B)	10 shs.	08/04/05	72,617	232,303
Crane Rental Corporation				
A crane rental company since 1960, headquartered in Florida.				
13% Senior Subordinated Note due 2015	\$ 1,032,750	08/21/08	1,009,377	1,032,750
Common Stock (B)	135,000 shs.	08/21/08	135,000	70,263
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	72,037 shs.	08/21/08	103,143	37,493
			1,247,520	1,140,506

Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
CTM Holding, Inc.				
A leading owner and operator of coin-operated children's rides, penny presses and candy kiosks in the U.S.				
15% Senior Subordinated Note due 2019	\$ 1,212,537	11/22/13	\$ 1,191,121	\$ 1,242,637
Common Stock (B)	31,044 shs.	11/22/13	443,182	372,508
			1,634,303	1,615,145
Custom Engineered Wheels, Inc.				
A manufacturer of custom engineered, non-pneumatic plastic wheels and plastic tread cap tires used primarily for lawn and garden products and wheelchairs.				
Preferred Stock PIK (B)	156 shs.	10/26/09	156,468	228,842
Preferred Stock Series A (B)	114 shs.	10/27/09	104,374	167,196
Common Stock (B)	38 shs.	10/26/09	38,244	25,120
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	28 shs.	10/27/09	25,735	18,354
			324,821	439,512
DPL Holding Corporation				
A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.				
14% Senior Subordinated Note due 2019	\$ 1,342,333	05/04/12	1,322,822	1,334,277
Preferred Stock (B)	25 shs.	05/04/12	252,434	288,094
Common Stock (B)	25 shs.	05/04/12	28,048	71,226
			1,603,304	1,693,597
E S P Holdco, Inc.				
A manufacturer of power protection technology for commercial office equipment, primarily supplying the office equipment dealer network.				
Common Stock (B)	349 shs.	01/08/08	174,701	247,931
Eatem Holding Company				
A developer and manufacturer of savory flavor systems for soups, sauces, gravies, and other products produced by food manufacturers for retail and foodservice end products.				
12.5% Senior Subordinated Note due 2018	\$ 950,000	02/01/10	878,917	959,500
Common Stock (B)	50 shs.	02/01/10	50,000	74,031

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Warrant, exercisable until 2018, to
purchase

common stock at \$.01 per share (B)	119 shs.	02/01/10	107,100	176,520
			1,036,017	1,210,051

ELT Holding Company

A provider of web-based ethics and compliance training solutions for companies in the
United States.

Common Stock (B)	41 shs.	03/01/12	90,909	216,563
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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
EPM Holding Company				
A provider of non-discretionary regulatory driven engineering services that support mission critical safety and operational aspects of nuclear power plants.				
14.5% Senior Subordinated				
Note due 2019	\$ 592,713	07/26/13	\$ 582,748	\$ 604,567
Common Stock (B)	1,535 shs.	07/26/13	153,474	99,755
			736,222	704,322
ERG Holding Company LLC				
A provider of inpatient and outpatient clinical trial services to pharmaceutical companies and contract research organizations.				
13.5% Senior Subordinated				
Note due 2019	\$ 937,235	04/04/14	919,777	943,673
Common Stock (B)	31 shs.	04/04/14	77,533	77,525
			997,310	1,021,198
F F C Holding Corporation				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
Limited Liability Company				
Unit Preferred (B)	171 uts.	09/27/10	58,345	207,629
Limited Liability Company				
Unit (B)	171 uts.	09/27/10	17,073	29,308
			75,418	236,937
F G I Equity LLC				
A manufacturer of a broad range of filters and related products that are used in commercial, light industrial, healthcare, gas turbine, nuclear, laboratory, clean room, hotel, educational system, and food processing settings.				
	80,559			
Limited Liability Company Unit (B)	uts.	04/15/14	-	80,559
Limited Liability Company Unit Class B-1 (B)	65,789 uts.	12/15/10	65,789	109,214
Limited Liability Company Unit Class B-2 (B)	8,248 uts.	12/15/10	8,248	13,692
Limited Liability Company Unit Class B-3 (B)	6,522 uts.	08/30/12	15,000	12,438
Limited Liability Company Unit Class C (B)	1,575 uts.	12/20/10	16,009	23,221
			105,046	239,124
G C Holdings				
A leading manufacturer of gaming tickets, industrial recording charts, security-enabled point-of sale receipts, and medical charts and supplies.				
Warrant, exercisable until 2018, to purchase	198 shs.	10/19/10	46,958	110,776

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

GD Dental Services LLC

A provider of convenient “onestop” general, specialty, and cosmetic dental services with 21 offices located throughout South and Central Florida.

Limited Liability Company Unit Common (B)	767 uts.	10/05/12	767	38,719
Limited Liability Company Unit Preferred (B)	76 uts.	10/05/12	75,920 76,687	84,330 123,049

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Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
GenNx Novel Holding, Inc.				
A manufacturer and distributor of nutraceutical ingredients.				
13% Senior Subordinated Note due 2020	\$ 1,574,145	03/27/14	\$ 1,544,635	\$ 1,582,730
Common Stock (B)	155 shs.	03/27/14	155,000	138,817
			1,699,635	1,721,547
gloProfessional Holdings, Inc.				
A marketer and distributor of premium mineral-based cosmetics, cosmeceuticals and professional hair care products to the professional spa and physician's office channels.				
14% Senior Subordinated Note due 2019	\$ 1,166,467	03/27/13	1,147,861	1,170,317
Common Stock (B)	1,181 shs.	03/27/13	118,110	151,188
			1,265,971	1,321,505
Golden County Foods Holding, Inc.				
A manufacturer of frozen appetizers and snacks.				
14% Senior Subordinated Note due 2019 (D)	\$ 38,950	11/13/13	231,183	-
Preferred Stock (B)	151,643 shs.	11/13/13	77,643	-
Preferred Stock Series F (B)	77,900 shs.	11/13/13	924,731	-
			1,233,557	-
GTI Holding Company				
A designer, developer, and marketer of precision specialty hand tools and handheld test instruments.				
12% Senior Subordinated Note due 2020	\$ 727,865	02/05/14	680,264	731,286
Common Stock (B)	846 shs.	02/05/14	84,636	73,172
Warrant, exercisable until 2024, to purchase common stock at \$.01 per share (B)	397 shs.	02/05/14	36,816	34,337
			801,716	838,795
Handi Quilter Holding Company				
A designer and manufacturer of long-arm quilting machines and related components for the consumer quilting market.				
Common Stock (B)	38 shs.	11/14/11	38,461	131,232
	28 shs.	11/14/11	25,596	93,971

Warrant, exercisable until
2021, to purchase
common stock at \$.01 per
share (B)

64,057 225,203

Hartland Controls Holding
Corporation

A manufacturer and distributor of electronic and
electromechanical components.

14% Senior Subordinated

Note due 2019	\$ 1,089,948	02/14/14	1,069,856	1,122,497
Common Stock (B)	821 shs.	02/14/14	822	63,584
Preferred Stock Series A (B)	2,547 shs.	02/14/14	254,734	264,304
			1,325,412	1,450,385

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Healthcare Direct Holding Company				
A direct-to-customer marketer of discount dental plans.				
14% Senior Subordinated Note due 2019 (D)	\$ 735,452	03/09/12	\$ 723,238	\$ 723,327
16% Senior Subordinated PIK Note due 2019	\$ 46,370	03/31/14	46,370	45,564
Common Stock (B)	517 shs.	03/09/12	51,724 821,332	58,902 827,793
HHI Group, LLC				
A developer, marketer, and distributor of hobby-grade radio control products.				
14% Senior Subordinated Note due 2020	\$ 1,545,035	01/17/14	1,516,945	1,552,484
Limited Liability Company Unit (B)	102 uts.	01/17/14	101,563 1,618,508	84,037 1,636,521
Hi-Rel Group LLC				
A manufacturer and distributor of precision metal piece parts for the microelectronic packaging industry, serving the aerospace/ defense, telecommunications, and medical end markets.				
12% Senior Subordinated Note due 2018	\$ 703,125	04/15/13	667,202	698,815
Limited Liability Company Unit (B)	234 uts.	04/15/13	234,375	96,328
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	37,177 shs.	04/15/13	32,344 933,921	14,551 809,694
HOP Entertainment LLC				
A provider of post production equipment and services to producers of television shows and motion pictures.				
Limited Liability Company Unit Class F (B)	47 uts.	10/14/11	-	-
Limited Liability Company Unit Class G (B)	114 uts.	10/14/11	-	-
Limited Liability Company Unit Class H (B)	47 uts.	10/14/11	-	-
Limited Liability Company Unit Class I (B)	47 uts.	10/14/11	-	-

Hospitality Mints Holding
Company

A manufacturer of individually-wrapped imprinted promotional mints.

12% Senior Subordinated Note due 2016	\$ 1,098,837	08/19/08	1,069,741	1,092,999
Common Stock (B)	251 shs.	08/19/08	251,163	85,737
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	65 shs.	08/19/08	60,233	22,161
			1,381,137	1,200,897

HVAC Holdings, Inc.

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

14% Senior Subordinated Note due 2019	\$ 1,182,884	09/27/12	1,164,576	1,189,202
Preferred Stock Series A (B)	1,127 shs.	09/27/12	112,726	139,257
Common Stock (B)	910 shs.	09/27/12	910	2,147
			1,278,212	1,330,606

Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Ideal Tridon Holdings, Inc. A designer and manufacturer of clamps and couplings used in automotive and industrial end markets.				
Common Stock (B)	93 shs.	10/27/11	\$ 92,854	\$ 197,968
Insurance Claims Management, Inc. A third party administrator providing auto and property claim administration services for insurance companies.				
Common Stock (B)	47 shs.	02/27/07	1,424	325,945
J A C Holding Enterprises, Inc. A supplier of luggage racks and accessories to the original equipment manufacturers.				
Preferred Stock A (B)	165 shs.	12/20/10	165,000	-
Preferred Stock B (B)	0.06 shs.	12/20/10	-	-
Common Stock (B)	33 shs.	12/20/10	1,667	-
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share				
(B)	12 shs.	12/20/10	105,643 272,310	- -
Janus Group Holdings LLC A manufacturer of roll-up doors and hallway systems that are primarily used in self-storage facilities.				
13.5% Senior Subordinated Note due 2019	\$ 1,342,391	12/11/13	1,318,315	1,382,663
Limited Liability Company Unit Class A (B)	283 uts.	12/11/13	232,837 1,551,152	567,229 1,949,892
JMH Investors LLC A developer and manufacturer of custom formulations for a wide variety of foods.				
14.25% Senior Subordinated Note due 2019	\$ 1,075,706	12/05/12	1,058,602	1,011,322
Limited Liability Company Unit (B)	217,391 uts.	12/05/12	217,391 1,275,993	98,234 1,109,556
K & N Parent, Inc. A manufacturer and supplier of automotive aftermarket performance air filters and intake systems.				
Preferred Stock Series A (B)	102 shs.	12/23/11	-	-

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Preferred Stock Series B (B)	29 shs.	12/23/11	-	-
Common Stock (B)	163 shs.	*	6,522	132,624
* 12/23/11 and 06/30/14.			6,522	132,624

K N B Holdings Corporation

A designer, manufacturer and marketer of products for the custom framing market.

Common Stock (B)	71,053 shs.	05/24/06	71,053	68,148
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	43,600 shs.	05/25/06	37,871 108,924	41,817 109,965

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
K P I Holdings, Inc.				
The largest player in the U.S. non-automotive, non-ferrous die casting segment.				
Convertible Preferred Stock Series C (B)	29 shs.	06/30/09	\$ 29,348	\$ 88,547
Convertible Preferred Stock Series D (B)	13 shs.	09/17/09	12,958	38,880
Common Stock (B)	235 shs.	07/15/08	234,783	168,560
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	51 shs.	07/16/08	50,836	36,501
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	67 shs.	09/17/09	- 327,925	48,390 380,878
LPC Holding Company				
A designer and manufacturer of precision-molded silicone rubber components that are utilized in the medical and automotive end markets.				
Common Stock (B)	105 shs.	08/15/11	105,019	147,625
M V I Holding, Inc.				
A manufacturer of large precision machined metal components used in equipment which services a variety of industries, including the oil and gas, mining, and defense markets.				
Common Stock (B)	32 shs.		09/12/08 32,143	-
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	35 shs.		09/12/08 34,714 66,857	- -
Mail Communications Group, Inc.				
A provider of mail processing and handling services, lettershop services, and commercial printing services.				
Limited Liability Company Unit (B)	12,764 uts.		* 166,481	177,028
Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)	1,787 shs.		05/04/07 22,781	24,785
* 05/04/07 and 01/02/08.				
			189,262	201,813

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Manhattan Beachwear Holding
Company

A designer and distributor of women's swimwear.

12.5% Senior Subordinated Note due 2018	\$ 419,971	01/15/10	390,193	419,971
15% Senior Subordinated Note due 2018	\$ 113,118	10/05/10	111,884	112,569
Common Stock (B)	35 shs.	10/05/10	35,400	82,998
Common Stock (B)	118 shs.	01/15/10	117,647	275,841
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	104 shs.	10/05/10	94,579	244,118
			749,703	1,135,497

Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
MedSystems Holdings LLC				
A manufacturer of enteral feeding products, such as feeding tubes and other products related to assisted feeding.				
Preferred Unit (B)	66 uts.	08/29/08	\$ 66,451	\$ 83,821
Common Unit Class A (B)	671 uts.	08/29/08	671	96,410
Common Unit Class B (B)	263 uts.	08/29/08	63,564	37,821
			130,686	218,052

Merex Holding Corporation

A provider of after-market spare parts and components, as well as Maintenance, Repair and Overhaul services for “out of production” or “legacy” aerospace and defense systems that are no longer effectively supported by the original equipment manufacturers.

14% Senior Subordinated Note

due 2019	\$ 454,295	09/22/11	448,144	454,295
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Limited Liability Company

Unit Series A	228 uts.	05/07/14	14,760	11,341
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Limited Liability Company

Unit Series B (B)	155,945 uts.	09/22/11	155,945	149,873
			618,849	615,509

MicroGroup, Inc.

A manufacturer of precision parts and assemblies, and a value-added supplier of metal tubing and bars.

7% Senior Subordinated Note

due 2014 (D)	\$ 902,727	*	865,676	-
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Preferred Stock Series A (B)	519 shs.	10/10/12	498,734	-
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Common Stock (B)	238 shs.	*	238,000	-
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Common Stock Series B (B)	597 shs.	10/10/12	6	-
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Warrant, exercisable until

2014, to purchase				
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common stock at \$.02 per				
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share (B)	87 shs.	*	86,281	-
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*08/12/05 and 09/11/06.			1,688,697	-
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MES Partners, Inc.

An industrial service business offering an array of cleaning and environmental services to the Gulf Coast region of the U.S.

12% Senior Subordinated Note

due 2021	\$ 1,082,045	09/30/14	1,060,410	1,079,511
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Common Stock Class B (B)	219,545 shs.	09/30/14	219,545	208,568
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			1,279,955	1,288,079
MNX Holding Company				
An international third party logistics company providing customized logistics services to customers across the globe.				
14% Senior Subordinated Note				
due 2019	\$ 1,252,274	11/02/12	1,232,608	1,155,158
Common Stock (B)	45 shs.	11/02/12	44,643	-
			1,277,251	1,155,158
Motion Controls Holdings				
A manufacturer of high performance mechanical motion control and linkage products.				
14.25% Senior Subordinated				
Note due 2020	\$ 969,976	11/30/10	959,792	969,976
Limited Liability Company				
Unit Class B-1 (B)	75,000 uts.	11/30/10	-	79,918
Limited Liability Company				
Unit Class B-2 (B)	6,801 uts.	11/30/10	-	7,247
			959,792	1,057,141

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
NABCO, Inc. A producer of explosive containment vessels in the United States.				
Common Stock (B)	429 shs.	12/20/12	\$ 306,091	\$ -
NetShape Technologies, Inc. A manufacturer of powder metal and metal injection molded precision components used in industrial, consumer, and other applications.				
14% Senior Subordinated Note due 2015	\$ 1,061,463	02/02/07	1,048,639	1,013,273
Limited Partnership Interest of Saw Mill PCG Partners LLC (B)	1.38% int.	02/01/07	588,077	-
Limited Liability Company Unit Class D of Saw Mill PCG Partners LLC (B)	9 uts.	*	8,873	-
Limited Liability Company Unit Class D-1 of Saw Mill PCG Partners LLC (B)	121 uts.	09/30/09	121,160	14,435
Limited Liability Company Unit Class D-2 of Saw Mill PCG Partners LLC (B)	68 uts.	04/29/11	34,547	140,038
* 12/18/08 and 09/30/09.			1,801,296	1,167,746
Nicoat Acquisitions LLC A manufacturer of water-based and ultraviolet coatings for high-performance graphic arts, packaging and other specialty coating applications.				
14% Senior Subordinated Note due 2018	\$ 486,792	11/05/10	461,436	486,792
Limited Liability Company Unit Series B (B)	17,241 uts.	11/05/10	17,241	34,741
Limited Liability Company Unit Series B (B)	34,931 uts.	11/05/10	34,931	70,386
Limited Liability Company Unit Series F (B)	34,931 uts.	11/05/10	-	8,698
			513,608	600,617
Northwest Mailing Services, Inc. A producer of promotional materials for companies that use direct mail as part of their customer retention and loyalty programs.				
Limited Partnership Interest (B)	1,740 uts.		* 174,006	143,941
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	2,605 shs.		* 260,479	215,474
*07/09/09 and 08/09/10.			434,485	359,415
O E C Holding Corporation A provider of elevator maintenance, repair and modernization services.				
13% Senior Subordinated Note due 2018	\$ 444,445	06/04/10	423,174	444,445
Preferred Stock Series A (B)	554 shs.	06/04/10	55,354	24,804
Preferred Stock Series B (B)	311 shs.	06/04/10	31,125	-

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Common Stock (B)	344 shs.	06/04/10	344	-
			509,997	469,249

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Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
P K C Holding Corporation				
A manufacturer of plastic film and badges for the general industrial, medical, and food industries.				
Preferred Stock Class A (B)	29 shs.	12/21/10	\$ 180,380	\$ 351,657
Common Stock (B)	29 shs.	12/21/10	13,500	181,324
			193,880	532,981
P P T Holdings LLC				
A high-end packaging solutions provider that targets customers who have multiple packaging needs, require a high number of low volume SKUs, short lead times, technical expertise, and overall supply chain management.				
15% Senior Subordinated Note due 2017	\$ 1,001,150	12/20/10	990,702	1,001,150
Limited Liability Company Unit Class A (B)	33 uts.	12/20/10	106,071	139,255
Limited Liability Company Unit Class B (B)	33 uts.	12/20/10	1,072	40,883
			1,097,845	1,181,288
Pearlman Enterprises, Inc.				
A developer and distributor of tools, equipment and supplies to the natural and engineered stone industry.				
Preferred Stock Series A (B)	1,236 shs.	05/22/09	59,034	456,990
Preferred Stock Series B (B)	7,059 shs.	05/22/09	290,050	-
Common Stock (B)	21,462 shs.	05/22/09	993,816	-
			1,342,900	456,990
Petroplex Inv Holdings LLC				
A leading provider of acidizing services to E&P customers in the Permian Basin.				
16% Senior Subordinated Note due 2018	\$ 1,177,984	11/29/12	1,157,234	1,228,178
Limited Liability Company Unit (B)	156,250 uts.	11/29/12	156,250	229,503
			1,313,484	1,457,681
Polytex Holdings LLC				
A manufacturer of water based inks and related products serving primarily the wall covering market.				
13% Senior Subordinated Note due 2020	\$ 1,038,401	07/31/14	1,018,109	1,035,640
Limited Liability Company Unit	148,096 uts.	07/31/14	148,096	140,691
			1,166,205	1,176,331

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Precision Wire Holding Company A manufacturer of specialty medical wires that are used in non-elective minimally invasive surgical procedures. Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)				
	109 shs.	11/12/09	107,970	210,035
R A J Manufacturing Holdings LLC A designer and manufacturer of women's swimwear sold under a variety of licensed brand names. 8% Senior Subordinated Note due 2017				
	\$ 49,908	01/02/14	\$ 217,411	\$ 49,908
Limited Liability Company Unit (B)	1,497 uts.	12/15/06	149,723	37,324
Limited Liability Company Unit Class B Common (B)	6 uts.	01/02/14	219,593	54,742
Limited Liability Company Unit Class B-1 Preferred (B)	9 uts.	01/02/14	374,307	374,308
Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)				
	2 shs.	12/15/06	69,609	17,613
			1,030,643	533,895
REVSpring, Inc. A provider of accounts receivable management and revenue cycle management services to customers in the healthcare, financial and utility industries. 14% Senior Subordinated Note due 2018				
	\$ 1,178,233	*	1,164,395	1,197,078
Limited Liability Company Unit Class A (B)	13,548 uts.	*	135,477	169,020
* 10/21/11 and 08/03/12.				
			1,299,872	1,366,098
Rose City Holding Company A designer and printer of folding cartons and packaging for food and beverage manufacturers on the West Coast.				
Preferred Stock (B)	39,062 shs.	12/11/12	39,062	45,626
Common Stock (B)	39 shs.	12/11/12	4	43,687
			39,066	89,313

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Safety Infrastructure Solutions

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

15% Senior Subordinated Note due 2018	\$ 843,750	*	834,773	852,188
Preferred Stock (B)	2,098 shs.	03/30/12	83,920	102,964
Common Stock (B)	983 shs.	03/30/12	9,830	46,154
* 03/30/12 and 05/16/13.			928,523	1,001,306

Sencore Holding Company

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

7% Senior Subordinated Note due 2015 (D)	\$ 1,404,092	01/15/09	826,004	280,818
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Signature Systems Holding Company

A seller and installer of a variety of modular surfaces, industrial matting and related products used for ground protection.

12.5% Senior Subordinated Note due 2021	\$ 755,088	03/15/13	716,861	770,190
Common Stock (B)	76 shs.	03/15/13	75,509	165,494
Warrant, exercisable until 2023, to purchase common stock A at \$.01 per share (B)	31 shs.	03/15/13	28,316	67,613
			820,686	1,003,297

Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Smart Source Holdings LLC A short-term computer rental company. Limited Liability Company Unit (B)	328 uts.	*	\$ 261,262	\$ 460,993
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B) * 08/31/07 and 03/06/08.	83 shs.	*	67,467 328,729	116,770 577,763
SMB Machinery Holdings, Inc. A reseller of used, rebuilt and refurbished packaging and processing equipment, primarily serving the bottling and food manufacturing industries. 14% Senior Subordinated Note due 2019	\$ 742,387	10/18/13	729,393	716,422
Common Stock (B)	841 shs.	10/18/13	84,100 813,493	- 716,422
Spartan Foods Holding Company A manufacturer of branded pizza crusts and pancakes. 14.25% Senior Subordinated Note due 2017	\$ 605,299	12/15/09	551,342	605,299
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	136 shs.	12/15/09	120,234 671,576	85,327 690,626
Specialty Commodities, Inc. A distributor of specialty food ingredients. Common Stock (B)	16 shs.	10/23/08	158,824	415,436
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	6 shs.	10/23/08	53,285 212,109	156,946 572,382

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Stag Parkway Holding Company

A distributor of RV parts and accessories in the United States.

13% Senior Subordinated Note due 2018	\$ 1,152,104	12/19/12	1,110,920	1,152,104
Common Stock (B)	118 shs.	12/19/12	118,203	152,651
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	35 shs.	12/19/12	31,848 1,260,971	44,827 1,349,582

Strahman Holdings Inc

A manufacturer of industrial valves and wash down equipment for a variety of industries, including chemical, petrochemical, polymer, pharmaceutical, food processing, beverage and mining.

14% Senior Subordinated Note due 2019	\$ 1,059,783 158,967	12/13/13	1,040,079	1,082,446
Preferred Stock Series A (B)	shs.	12/13/13	158,967 1,199,046	123,594 1,206,040

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Strata/WLA Holding Corporation				
A leading independent anatomic pathology laboratory that conducts over 320,000 tests annually to customers in 40 U.S. states and in Canada and Venezuela.				
14.5% Senior Subordinated Note due 2018 (D)	\$959,148	07/01/11		