

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-30D

November 30, 2015

Babson Capital  
Participation Investors

Report for the  
Nine Months Ended September 30, 2015

**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](http://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, long-term debt obligations purchased directly from their issuers, which tend to be smaller companies. The Trust will also invest in publicly traded debt securities (including high yield securities) again with an emphasis on those with equity features, 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 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 Trust’s total assets

**Proxy Voting Policies & Procedures; Proxy Voting Record**

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital. A description of Babson Capital’s proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 866-399-1516; (2) on the Trust’s website: <http://www.babsoncapital.com/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>.

**Legal Matters**

The Trust has entered into contractual arrangements with an investment adviser, transfer agent and custodian (collectively “service providers”) who each provide services to the Trust. Shareholders are not parties to, or intended beneficiaries of, these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the Trust.

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.

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.

Under the Trust's Bylaws, any claims asserted against or on behalf of the Trust, including claims against Trustees and officers must be brought in courts located within the Commonwealth of Massachusetts.

The Trust's registration statement and this shareholder report are not contracts between the Trust and its shareholders and do not give rise to any contractual rights or obligations or any shareholder rights other than any rights conferred explicitly by federal or state securities laws that may not be waived.

Babson Capital Participation Investors

TO OUR SHAREHOLDERS

October 31, 2015

We are pleased to present the September 30, 2015 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 13, 2015 to shareholders of record on November 4, 2014. The Trust paid a \$0.27 per share dividend for the preceding quarter. The Trust earned \$0.20 per share of net investment income, including \$0.03 per share of non-recurring charges, for the third quarter of 2015, compared to \$0.25 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 decreased to \$140,680,541 or \$13.64 per share, compared to \$143,105,029 or \$13.87 per share on June 30, 2015. This translates into a 0.3% 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 9.1%, 12.0%, 12.1%, 11.2% and 12.5% for the 1-, 3-, 5-, 10-, and 25-year time periods, respectively, based on the change in the Trust's net assets assuming the reinvestment of all dividends.

The Trust's share price decreased 1.7% during the quarter, from \$13.87 per share as of June 30, 2015 to \$13.64 per share as of September 30, 2015. The Trust's market price of \$13.20 per share equates to a 3.2% discount below the September 30, 2015 net asset value per share of \$13.64. The Trust's average quarter-end premium for the 3-, 5- and 10-year periods was 4.0%, 9.9% and 8.2%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, decreased 11.9% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, decreased 4.9% for the quarter.

The Trust closed four new private placement investments, as well as one add-on investment in an existing portfolio company during the third quarter. The four new investments were in Aurora Parts & Accessories LLC, MC Sign Holdings LLC, Sunvair Aerospace Group, Inc. and Westminster Acquisition LLC, while the add-on investment was in Merex Holding Corporation. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in these transactions was \$4,646,000.

After two strong quarters of new investment activity for the Trust, new deal closings in the third quarter were comparatively lower. Middle market merger and acquisition activity, a key driver of deal flow for the Trust, was slower in the third quarter than it had been in the prior two quarters. This sluggishness persisted into the fourth quarter, although we believe recent signs indicate a pick up as we approach year-end. Overall, we are pleased with the amount of new investment activity for the Trust in 2015. We expect to at least match last year's level of new deal closings. The dark cloud on the horizon, however, continues to be the high purchase prices and leverage levels that are common in buyout transactions today. Average purchase price multiples for small companies, which had been at their highest levels in the past 15 years, went even higher in the third quarter. Leverage multiples have also been worrisomely high and, in the third quarter, actually exceeded the peaks we saw back in 2007. Though we are actively making new investments on behalf of the Trust in this market, we do 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. We once again had 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 exited six investments during the quarter, and benefited from the partial sale of our holdings in one additional company. We continue to have a backlog of portfolio companies that are in the process of being sold, with two companies already having been sold in October and a few more expected to close by year-end. We had three portfolio companies fully or partially prepay their debt instruments held by the Trust during the quarter. This lower level of prepayment activity is welcome after the unprecedented levels of prepayments we experienced in 2013 and early 2014.

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 items, 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 has been down due to the considerable reduction in the number of private debt securities in the portfolio resulting from the high level of exit and prepayment activity that occurred in 2013 and 2014. Despite several strong quarters of new investment activity, we have not been able to grow

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the portfolio enough to offset this ongoing effect. It is unlikely that we will be able to rebuild the private portfolio back to its former size and net income-producing capability in the near term. 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 items, earnings available for the quarterly dividend would have been \$0.23 per share for the third quarter. This quarter, the Trust's earnings were impacted by \$0.03 per share of non-recurring charges, which required utilization of \$0.07 per share of earnings carry-forwards to maintain the \$0.27 per share quarterly dividend. The Trust's earnings carry-forward was effectively depleted this quarter. Fortunately, though we cannot rely on non-recurring income due to its unpredictable nature, it seems likely that we will realize additional non-recurring income in the fourth quarter, which we believe will enable us to maintain the \$0.27 per share dividend for the fourth quarter. However, it continues to appear likely that we will have to reduce the dividend from the current \$0.27 per share quarterly rate in 2016. As we move forward, 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

Portfolio Composition as of 9/30/2015\*

\* 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, 2015  
(Unaudited)

## Assets:

## Investments

(See Consolidated Schedule of Investments)

|   |              |
|---|--------------|
| Corporate restricted securities at fair value<br>(Cost - \$89,726,091 )   | \$91,364,667 |
| Corporate restricted securities at market value<br>(Cost - \$19,550,639 ) | 18,674,349   |
| Corporate public securities at market value<br>(Cost - \$31,596,549 )     | 30,082,446   |
| Short-term securities at amortized cost                                   | 2,000,000    |
| Total investments (Cost - \$142,873,279 )                                 | 142,121,462  |
| Cash  | 13,485,736   |
| Interest receivable   | 1,424,329    |
| Other assets  | 6,199        |
| Total assets  | 157,037,726  |

## Liabilities:

|                                   |                |
|-----------------------------------|----------------|
| Note payable                      | 15,000,000     |
| Payable for investments purchased | 498,625        |
| Investment advisory fee payable   | 316,531        |
| Tax payable                       | 140,548        |
| Deferred tax liability            | 92,535         |
| Interest payable                  | 27,267         |
| Accrued expenses                  | 281,679        |
| Total liabilities                 | 16,357,185     |
| Total net assets                  | \$ 140,680,541 |

## Net Assets:

|  |                |
|--|----------------|
| Common shares, par value \$.01 per share                     | \$ 103,148     |
| Additional paid-in capital                                   | 97,901,079     |
| Retained net realized gain on investments, prior years       | 40,289,888     |
| Undistributed net investment income                          | 2,500,792      |
| Accumulated net realized gain on investments                 | 729,986        |
| Net unrealized depreciation of investments                   | (844,352 )     |
| Total net assets   | \$ 140,680,541 |
| Common shares issued and outstanding (14,787,750 authorized) | 10,314,898     |
| Net asset value per share                                    | \$ 13.64       |

See Notes to Consolidated Financial Statements

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## CONSOLIDATED STATEMENT OF OPERATIONS

For the nine months ended September 30, 2015

(Unaudited)

|   |             |
|---|-------------|
| Investment Income:  |             |
| Interest  | \$8,864,084 |
| Dividends   | 368,705     |
| Other   | 78,773      |
| Total investment income   | 9,311,562   |
| Expenses:   |             |
| Investment advisory fees  | 961,852     |
| Interest  | 460,125     |
| Professional fees   | 180,413     |
| Trustees' fees and expenses                                       | 174,000     |
| Reports to shareholders   | 56,000      |
| Custodian fees  | 20,064      |
| Other   | 145,050     |
| Total expenses  | 1,997,504   |
| Investment income - net   | 7,314,058   |
| Net realized and unrealized gain on investments:                  |             |
| Net realized gain on investments before taxes                     | 1,441,822   |
| Income tax expense  | (58,892 )   |
| Net realized gain on investments after taxes                      | 1,382,930   |
| Net change in unrealized depreciation of investments before taxes | (517,634 )  |
| Net change in deferred income tax expense                         | 317,084     |
| Net change in unrealized depreciation of investments after taxes  | (200,550 )  |
| Net gain on investments   | 1,182,380   |
| Net increase in net assets resulting from operations              | \$8,496,438 |

See Notes to Consolidated Financial Statements



Babson Capital Participation Investors  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the nine months ended September 30, 2015  
(Unaudited)

|  |               |
|--|---------------|
| Net increase in cash:  |               |
| Cash flows from operating activities:  |               |
| Purchases/Proceeds/Maturities from short-term portfolio securities, net                    | \$ 4,508,839  |
| Purchases of portfolio securities  | (30,317,483)  |
| Proceeds from disposition of portfolio securities  | 35,833,072    |
| Interest, dividends and other income received  | 8,478,865     |
| Interest expense paid  | (460,125 )    |
| Operating expenses paid  | (1,483,793 )  |
| Income taxes paid  | (1,366,629 )  |
| Net cash provided by operating activities  | 15,192,746    |
| Cash flows from financing activities:  |               |
| Cash dividends paid from net investment income   | (8,351,338 )  |
| Receipts for shares issued on reinvestment of dividends                                    | 185,229       |
| Net cash used for financing activities   | (8,166,109 )  |
| Net increase in cash   | 7,026,637     |
| Cash - beginning of period   | 6,459,099     |
| Cash - end of period   | \$ 13,485,736 |
| Reconciliation of net increase in net assets to net cash provided by operating activities: |               |
| Net increase in net assets resulting from operations                                       | \$ 8,496,438  |
| Decrease in investments  | 7,702,091     |
| Decrease in interest receivable  | 55,183        |
| Decrease in other assets   | 11,644        |
| Increase in payable for investments purchased  | 498,625       |
| Increase in investment advisory fee payable  | 7,001         |
| Decrease in tax payable  | (1,307,737 )  |
| Decrease in deferred tax liability   | (317,084 )    |
| Increase in accrued expenses   | 46,585        |
| Total adjustments to net assets from operations  | 6,696,308     |
| Net cash provided by operating activities  | \$ 15,192,746 |

See Notes to Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

|   | For the nine<br>months ended<br>09/30/2015<br>(Unaudited) | For the<br>year ended<br>12/31/2014 |
|---|---|-------------------------------------|
| Increase in net assets:   |   |                                     |
| Operations:   |   |                                     |
| Investment income - net   | \$ 7,314,058  | \$ 10,671,491                       |
| Net realized gain on investments after taxes  | 1,382,930   | 5,032,760                           |
| Net change in unrealized depreciation of investments after taxes  | (200,550 )  | 800,181                             |
| Net increase in net assets resulting from operations  | 8,496,438   | 16,504,432                          |
| Increase from common shares issued on reinvestment of dividends   |   |                                     |
| Common shares issued (2015 - 13,813; 2014 - 56,918)   | 185,229   | 751,903                             |
| Dividends to shareholders from:   |   |                                     |
| Net investment income (2015 - \$0.54 per share; 2014 - \$0.96 per share)  | (5,570,045 )  | (9,866,694 )                        |
| Net realized gains (2015 - \$0.00 per share; 2014 - \$0.12 per share)   | —   | (1,236,130 )                        |
| Total increase in net assets  | 3,111,622   | 6,153,511                           |
| Net assets, beginning of period/year  | 137,568,919   | 131,415,408                         |
| Net assets, end of period/year (including undistributed net investment income<br>of<br>\$2,500,792 and \$756,779, respectively) | \$ 140,680,541  | \$ 137,568,919                      |

See Notes to Consolidated Financial Statements

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Babson Capital Participation Investors  
 CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS  
 Selected data for each share of beneficial interest outstanding:

|  | For the nine months ended |  | For the years ended December 31, |             |           |             |
|--|---------------------------|--|----------------------------------|-------------|-----------|-------------|
|  | 09/30/15                  |  | 2014                             | 2013        | 2012      | 2011        |
|  | (Unaudited)               |  |                                  |             |           |             |
| Net asset value:   |                           |  |                                  |             |           |             |
| Beginning of year  | \$ 13.35                  |  | \$ 12.83                         | \$ 12.56    | \$ 11.90  | \$ 11.89    |
| Net investment income (a)  | 0.71                      |  | 1.04                             | 1.00        | 1.08      | 1.14        |
| Net realized and unrealized gain (loss) on investments             | 0.12                      |  | 0.57                             | 0.35        | 0.64      | 0.08        |
| Total from investment operations                                   | 0.83                      |  | 1.61                             | 1.35        | 1.72      | 1.22        |
| Dividends from net investment income to common shareholders        | (0.54 )                   |  | (0.96 )                          | (1.08 )     | (1.04 )   | (1.23 )     |
| Dividends from realized gain on investments to common shareholders | —                         |  | (0.12 )                          | —           | (0.04 )   | (0.00 ) (b) |
| Increase from dividends reinvested                                 | (0.00 ) (b)               |  | (0.01 )                          | (0.00 ) (b) | 0.02      | 0.02        |
| Total dividends  | (0.54 )                   |  | (1.09 )                          | (1.08 )     | (1.06 )   | (1.21 )     |
| Net asset value: End of period/year                                | \$ 13.64                  |  | \$ 13.35                         | \$ 12.83    | \$ 12.56  | \$ 11.90    |
| Per share market value:  |                           |  |                                  |             |           |             |
| End of period/year   | \$ 13.20                  |  | \$ 13.23                         | \$ 12.88    | \$ 13.91  | \$ 15.85    |
| Total investment return  |                           |  |                                  |             |           |             |
| Net asset value (c)  | 6.25 %                    |  | 13.61 %                          | 10.97 %     | 15.89 %   | 10.56 %     |
| Market value (c)   | 4.15 %                    |  | 12.54 %                          | 0.47 %      | (4.54 %)  | 24.16 %     |
| Net assets (in millions):  |                           |  |                                  |             |           |             |
| End of period/year   | \$ 140.68                 |  | \$ 137.57                        | \$ 131.42   | \$ 127.87 | \$ 120.32   |
| Ratio of total expenses to average net assets                      | 1.95 % (e)                |  | 2.84 %                           | 2.15 %      | 2.83 %    | 2.18 %      |
| Ratio of operating expenses to average net assets                  | 1.46 % (e)                |  | 1.49 %                           | 1.51 %      | 1.51 %    | 1.42 %      |
| Ratio of interest expense to average net assets                    | 0.44 % (e)                |  | 0.45 %                           | 0.47 %      | 0.49 %    | 0.56 %      |
| Ratio of income tax expense to average net assets (d)              | 0.05 % (e)                |  | 0.90 %                           | 0.17 %      | 0.83 %    | 0.20 %      |
| Ratio of net investment income to average net assets               | 6.93 % (e)                |  | 7.82 %                           | 7.77 %      | 8.82 %    | 9.33 %      |
| Portfolio turnover   | 21 %                      |  | 32 %                             | 30 %        | 34 %      | 21 %        |

- (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    | \$15    |
| Asset coverage per \$1,000 of indebtedness | \$10,379 | \$10,171 | \$9,761 | \$9,525 | \$9,021 |

See Notes to Consolidated Financial Statements

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2015

(Unaudited)

| Corporate Restricted Securities -<br>78.22%: (A)  | Principal<br>Amount,<br>Shares, Units or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost       | Fair Value |
|---|---|---------------------|------------|------------|
| Private Placement Investments - 64.95%: (C)   |   |                     |            |            |
| 1492 Acquisition LLC  |   |                     |            |            |
| A leading producer of premium Italian cured meats and deli meats in the U.S.  |   |                     |            |            |
| 14% Senior Subordinated Note<br>due 10/17/2019  | \$ 687,703  | 10/17/12            | \$ 678,450 | \$ 684,354 |
| Limited Liability Company Unit<br>Class A Common (B)  | 11,364 uts.   | 10/17/12            | 11,364     | —          |
| Limited Liability Company Unit<br>Class A Preferred (B)   | 102 uts.  | 10/17/12            | 102,270    | 91,816     |
|   |   |                     | 792,084    | 776,170    |
| A S C Group, Inc.   |   |                     |            |            |
| A designer and manufacturer of high reliability encryption equipment, communications products, computing systems<br>and electronic components primarily for the military and aerospace sectors. |   |                     |            |            |
| 14% Senior Subordinated Note<br>due 12/21/2020  | \$ 1,059,775  | 12/20/13            | 1,042,778  | 1,070,372  |
| Limited Liability Company Unit<br>Class A (B)   | 3,094 uts.  | *                   | 153,704    | 336,484    |
| Limited Liability Company Unit<br>Class B (B)   | 1,479 uts.  | 10/09/09            | 52,999     | 160,847    |
|   |   |                     | 1,249,481  | 1,567,703  |
| * 10/09/09 and 12/20/13.  |   |                     |            |            |
| A W X Holdings Corporation  |   |                     |            |            |
| A provider of aerial equipment rental, sales and repair services to non-residential construction and maintenance<br>contractors operating in the State of Indiana.                              |   |                     |            |            |
| 10.5% Senior Secured Term Note<br>due 12/20/2016 (D)  | \$ 420,000  | 05/15/08            | 413,944    | 405,300    |
| 13% Senior Subordinated Note<br>due 12/20/2016 (D)  | \$ 420,000  | 05/15/08            | 384,627    | —          |
| Common Stock (B)  | 60,000 shs.   | 05/15/08            | 60,000     | —          |
| Warrant, exercisable until 2016,<br>to purchase<br>common stock at \$.01 per share<br>(B)   | 21,099 shs.   | 05/15/08            | 35,654     | —          |
|   |   |                     | 894,225    | 405,300    |

ABC Industries, Inc.

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

|   |              |          |                   |                   |
|---|--------------|----------|-------------------|-------------------|
| 13% Senior Subordinated Note<br>due 07/31/2019  | \$ 181,818   | 08/01/12 | 168,970           | 181,818           |
| Preferred Stock Series A (B)  | 125,000 shs. | 08/01/12 | 125,000           | 212,614           |
| Warrant, exercisable until 2022,<br>to purchase<br>common stock at \$.02 per share<br>(B) | 22,414 shs.  | 08/01/12 | 42,446<br>336,416 | 35,852<br>430,284 |

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 | — | — |
|-------------|---------|----------|---|---|

Advanced Manufacturing

Enterprises LLC

A designer and manufacturer of large, custom gearing products for a number of critical customer applications.

Limited Liability Company Unit

|     |            |   |         |         |
|-----|------------|---|---------|---------|
| (B) | 1,945 uts. | * | 207,910 | 155,962 |
|-----|------------|---|---------|---------|

\* 12/07/12 and 07/11/13.

Babson Capital Participation Investors  
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
September 30, 2015  
(Unaudited)

| Corporate Restricted Securities: (A) (Continued)  | Principal Amount, Shares, Units or Ownership Percentage | Acquisition Date | Cost                 | Fair Value           |
|---|---|------------------|----------------------|----------------------|
| <b>Advanced Technologies Holdings</b>   |   |                  |                      |                      |
| A provider of factory maintenance services to industrial companies.   |   |                  |                      |                      |
| Preferred Stock Series A (B)  | 152 shs.  | 12/27/07         | \$ 75,131            | \$ 324,417           |
| Convertible Preferred Stock Series B (B)  | 28 shs.   | 01/04/11         | 21,600<br>96,731     | 59,380<br>383,797    |
| <b>AFC - Dell Holding Corporation</b>   |   |                  |                      |                      |
| A distributor and provider of inventory management services for "C-Parts" used by OEMs in their manufacturing and production facilities.                                      |   |                  |                      |                      |
| 12.5% Senior Subordinated Note due 09/27/2020   |   |                  |                      |                      |
|   | \$ 1,188,400  | 03/27/15         | 1,166,345            | 1,198,489            |
| Preferred Stock (B)   | 1,122 shs.  | 03/27/15         | 112,154              | 110,491              |
| Common Stock (B)  | 346 shs.  | 03/27/15         | 346<br>1,278,845     | —<br>1,308,980       |
| <b>Airxcel Holdings</b>   |   |                  |                      |                      |
| A leading manufacturer of a broad range of climate control solutions, including air-conditioners, heat pumps, cooking appliances, furnaces, powered vents, and water heaters. |   |                  |                      |                      |
| 12.5% Senior Subordinated Note due 11/18/2020   |   |                  |                      |                      |
|   | \$ 1,455,831  | 11/18/14         | 1,430,032            | 1,421,936            |
| Limited Liability Company Unit  | 288 uts.  | 11/18/14         | 288,000<br>1,718,032 | 206,110<br>1,628,046 |
| <b>American Hospice Management Holding LLC</b>  |   |                  |                      |                      |
| A for-profit hospice care provider in the United States.  |   |                  |                      |                      |
| 12% Senior Subordinated Note due 03/31/2020 (D)   |   |                  |                      |                      |
|   | \$ 1,237,502  |                  | * 1,237,367          | —                    |
| Preferred Class A Unit (B)  | 1,706 uts.  |                  | ** 170,600           | —                    |
| Preferred Class B Unit (B)  | 808 uts.  | 06/09/08         | 80,789               | —                    |
| Common Class B Unit (B)   | 16,100 uts.   | 01/22/04         | 1                    | —                    |
| Common Class D Unit (B)   | 3,690 uts.  | 09/12/06         | —                    | —                    |
|   |   |                  | 1,488,757            | —                    |
| * 01/22/04 and 06/09/08.  |   |                  |                      |                      |
| ** 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 | 302,984 |
|-----------------------|----------|----------|---------|---------|

Animal Supply Company

A distributor of pet products to independent pet stores, veterinary clients and other pet specialty retailers.

9.5% Second Lien Term Loan due

|            |              |          |           |           |
|------------|--------------|----------|-----------|-----------|
| 09/17/2019 | \$ 1,725,000 | 03/30/15 | 1,702,065 | 1,654,747 |
|------------|--------------|----------|-----------|-----------|

ARI Holding Corporation

A leading national supplier of products used primarily by specialty contractors.

11.5% Senior Subordinated Note due

|            |              |   |           |           |
|------------|--------------|---|-----------|-----------|
| 02/01/2020 | \$ 1,702,445 | * | 1,679,959 | 1,706,073 |
|------------|--------------|---|-----------|-----------|

|                              |          |          |         |         |
|------------------------------|----------|----------|---------|---------|
| Limited Partnership Interest | 524 uts. | 08/01/14 | 523,950 | 558,806 |
|------------------------------|----------|----------|---------|---------|

|                          |  |  |           |           |
|--------------------------|--|--|-----------|-----------|
| * 05/21/13 and 08/01/14. |  |  | 2,203,909 | 2,264,879 |
|--------------------------|--|--|-----------|-----------|

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

| Corporate Restricted Securities:<br>(A) (Continued)  | Principal<br>Amount,<br>Shares, Units<br>or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost         | Fair Value   |
|--|--|---------------------|--------------|--------------|
| <b>Aurora Parts &amp; Accessories LLC</b>  |  |                     |              |              |
| A distributor of aftermarket over-the-road semi-trailer parts and accessories sold to customers across North America.  |  |                     |              |              |
| 11% Senior Subordinated Note<br>due 02/17/2022   | \$ 1,515,400   | 08/17/15            | \$ 1,485,655 | \$ 1,505,121 |
| Preferred Stock (B)  | 210 shs.   | 08/17/15            | 209,390      | 209,390      |
| Common Stock (B)   | 210 shs.   | 08/17/15            | 210          | 210          |
|  |  |                     | 1,695,255    | 1,714,721    |
| <b>Avantech Testing Services LLC</b>   |  |                     |              |              |
| 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<br>due 07/31/2021 (D)   | \$ 500,587   | 07/31/14            | 491,228      | —            |
| Limited Liability Company Unit   | 36,964 uts.  | 07/31/14            | 369,643      | —            |
|  |  |                     | 860,871      | —            |
| <b>Blue Wave Products, Inc.</b>  |  |                     |              |              |
| A distributor of pool supplies.  |  |                     |              |              |
| 10% Senior Secured Term Note<br>due 09/30/2018   | \$ 238,298   | 10/12/12            | 235,548      | 238,298      |
| 13% Senior Subordinated Note<br>due 09/30/2019   | \$ 327,304   | 10/12/12            | 311,075      | 333,850      |
| Common Stock (B)   | 51,064 shs.  | 10/12/12            | 51,064       | 124,936      |
| Warrant, exercisable until 2022,<br>to purchase<br>common stock at \$.01 per share<br>(B)  | 20,216 shs.  | 10/12/12            | 20,216       | 49,462       |
|  |  |                     | 617,903      | 746,546      |
| <b>BlueSpire Holding, Inc.</b>   |  |                     |              |              |
| A marketing services firm that integrates strategy, technology, and content to deliver customized marketing solutions for clients in the senior living, financial services and healthcare end markets. |  |                     |              |              |
| 12.5% Senior Subordinated Note<br>due 06/30/2021   | \$ 1,574,081   | 06/30/15            | 1,543,618    | 1,569,618    |
| Common Stock (B)   | 1,417 shs.   | 06/30/15            | 156,800      | 169,430      |
|  |  |                     | 1,700,418    | 1,739,048    |

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BP SCI LLC

A leading value-added distributor of branded pipes, valves, and fittings (PVF) to diversified end markets.

Limited Liability Company Unit

|                                |          |          |         |         |
|--------------------------------|----------|----------|---------|---------|
| Class A (B)                    | 417 uts. | 10/17/12 | 41,667  | 231,077 |
| Limited Liability Company Unit |          |          |         |         |
| Class B (B)                    | 167 uts. | 10/17/12 | 166,666 | 230,409 |
|                                |          |          | 208,333 | 461,486 |

CG Holdings Manufacturing

Company

A coating provider serving the automotive, agricultural, heavy truck and other end markets.

13% Senior Subordinated Note

|   |              |   |           |           |
|---|--------------|---|-----------|-----------|
| due 11/01/2019  | \$ 1,412,605 | * | 1,349,394 | 1,426,731 |
| Preferred Stock (B)   | 1,350 shs.   | * | 134,972   | 154,001   |
| Preferred Stock (B)   | 489 shs.     | * | 48,721    | 55,817    |
| Common Stock (B)  | 140 shs.     | * | 14,864    | 73,971    |
| Warrant, exercisable until 2023,<br>to purchase<br>common stock at \$.01 per share<br>(B) | 58 shs.      | * | 5,430     | 30,725    |
| * 05/09/13 and 11/01/13.  |              |   | 1,553,381 | 1,741,245 |

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Babson Capital Participation Investors  
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
September 30, 2015  
(Unaudited)

| Corporate Restricted Securities: (A) (Continued)   | Principal Amount, Shares, Units or Ownership Percentage | Acquisition Date | Cost       | Fair Value |
|--|---|------------------|------------|------------|
| <b>CHG Alternative Education Holding Company</b>   |   |                  |            |            |
| A leading provider of publicly-funded, for profit pre-K-12 education services targeting special needs children at therapeutic day schools and “at risk” youth through alternative education programs.            |   |                  |            |            |
| 13.5% Senior Subordinated Note due 01/19/2018  | \$ 765,174  | 01/19/11         | \$ 746,177 | \$ 765,174 |
| 14% Senior Subordinated Note due 08/03/2019  | \$ 199,872  | 08/03/12         | 197,376    | 199,872    |
| Common Stock (B)   | 375 shs.  | 01/19/11         | 37,500     | 57,928     |
| Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)   | 295 shs.  | 01/19/11         | 29,250     | 45,535     |
|  |   |                  | 1,010,303  | 1,068,509  |
| <b>Church Services Holding Company</b>   |   |                  |            |            |
| A provider of diversified residential services to homeowners in the Houston, Dallas, and Austin markets.   |   |                  |            |            |
| 14.5% Senior Subordinated Note due 03/26/2018  | \$ 189,038  | 03/26/12         | 185,641    | 182,987    |
| 10% Senior Subordinated Note due 09/15/2099  | \$ 6,334  | 09/15/14         | 6,334      | 5,936      |
| Common Stock (B)   | 1,327 shs.  | *                | 132,700    | 32,823     |
| Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)   | 57 shs.   | 03/26/12         | 5,740      | 1,410      |
| * 03/26/12, 05/25/12 and 06/19/12.   |   |                  | 330,415    | 223,156    |
| <b>Clarion Brands Holding Corp.</b>  |   |                  |            |            |
| A portfolio of six over-the-counter (OTC) pharmaceutical brands whose products are used to treat tinnitus or ringing of the ear, excessive sweating, urinary tract infections, muscle pain, and skin conditions. |   |                  |            |            |
| 12.5% Senior Subordinated Note due 09/31/2021  | \$ 1,591,837  | 10/01/14         | 1,563,445  | 1,591,837  |
| Common Stock (B)   | 1,568 shs.  | 10/01/14         | 156,818    | 115,334    |
|  |   |                  | 1,720,263  | 1,707,171  |

**Clough, Harbour and Associates**  
An engineering service firm that is located in Albany, NY.

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|                     |          |          |         |         |
|---------------------|----------|----------|---------|---------|
| Preferred Stock (B) | 147 shs. | 12/02/08 | 146,594 | 526,758 |
|---------------------|----------|----------|---------|---------|

Compass Chemical International LLC

A manufacturer and supplier of standard and specialty formulated chemicals, primarily phosphoric acid derivatives called phosphonates.

|  |              |          |           |           |
|--|--------------|----------|-----------|-----------|
| 13% Senior Subordinated Note due<br>10/04/2020 | \$ 1,512,168 | 03/04/15 | 1,484,472 | 1,465,750 |
| Limited Liability Company Unit (B)             | 230 uts.     | 03/04/15 | 230,000   | 205,524   |
|  |              |          | 1,714,472 | 1,671,274 |



## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

| Corporate Restricted Securities: (A) (Continued)   | Principal Amount, Shares, Units or Ownership Percentage | Acquisition Date | Cost      | Fair Value |
|--|---|------------------|-----------|------------|
| <b>Connecticut Electric, Inc.</b>  |   |                  |           |            |
| A supplier and distributor of electrical products sold into the retail and wholesale markets.  |   |                  |           |            |
| <b>Limited Liability Company Unit</b>  |   |                  |           |            |
| Class A (B)  | 82,613 uts.   | 01/12/07         | \$ 82,613 | \$ 87,072  |
| Limited Liability Company Unit Class C (B)   | 59,756 uts.   | 01/12/07         | 59,756    | 68,585     |
| Limited Liability Company Unit Class D (B)   | 671,525 uts.  | 05/03/10         | —         | 821,122    |
| Limited Liability Company Unit Class E (B)   | 1,102 uts.  | 05/03/10         | —         | 25,080     |
|  |   |                  | 142,369   | 1,001,859  |
| <b>CTM Holding, Inc.</b>   |   |                  |           |            |
| A leading owner and operator of coin-operated children's rides, penny presses and candy kiosks in the U.S.   |   |                  |           |            |
| <b>15% Senior Subordinated Note due 11/22/2019</b>   |   |                  |           |            |
|  | \$ 1,249,324  | 11/22/13         | 1,230,877 | 1,222,649  |
| <b>Common Stock (B)</b>  |   |                  |           |            |
|  | 78 shs.   | 11/22/13         | 443,182   | 374,698    |
|  |   |                  | 1,674,059 | 1,597,347  |
| <b>Custom Engineered Wheels, Inc.</b>  |   |                  |           |            |
| 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   | 252,598    |
| Preferred Stock Series A (B)   | 114 shs.  | 10/27/09         | 104,374   | 184,553    |
| Common Stock (B)   | 38 shs.   | 10/26/09         | 38,244    | 145,835    |
| <b>Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)</b>  |   |                  |           |            |
|  | 28 shs.   | 10/27/09         | 25,735    | 106,554    |
|  |   |                  | 324,821   | 689,540    |
| <b>DPL Holding Corporation</b>   |   |                  |           |            |
| A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.   |   |                  |           |            |
| <b>14% Senior Subordinated Note due 05/04/2019</b>   |   |                  |           |            |
|  | \$ 1,369,381  | 05/04/12         | 1,353,109 | 1,369,381  |
| Preferred Stock (B)  | 25 shs.   | 05/04/12         | 252,434   | 312,213    |
| Common Stock (B)   | 25 shs.   | 05/04/12         | 28,048    | 45,802     |
|  |   |                  | 1,633,591 | 1,727,396  |

Dunn Paper

A provider of specialty paper for niche product applications.

|                     |          |          |         |         |
|---------------------|----------|----------|---------|---------|
| Preferred Stock (B) | 261 shs. | 12/30/14 | 261,364 | 447,916 |
|---------------------|----------|----------|---------|---------|

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 | 322,150 |
|------------------|----------|----------|---------|---------|

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Babson Capital Participation Investors  
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
September 30, 2015  
(Unaudited)

| Corporate Restricted Securities: (A) (Continued)   | Principal Amount, Shares, Units or Ownership Percentage | Acquisition Date | Cost                | Fair Value          |
|--|---|------------------|---------------------|---------------------|
| <b>Eatem Holding Company</b>   |   |                  |                     |                     |
| 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. |   |                  |                     |                     |
| Common Stock (B)   | 50 shs.   | 02/01/10         | \$ 50,000           | \$ 154,410          |
| Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)   | 119 shs.  | 02/01/10         | 107,100<br>157,100  | 368,175<br>522,585  |
| <b>ECG Consulting Group</b>  |   |                  |                     |                     |
| A healthcare management consulting company who provides strategic, financial, operational, and technology related consulting services to healthcare providers.               |   |                  |                     |                     |
| 11.75% Senior Subordinated Note due 11/21/2020   | \$ 1,302,098  | 11/21/14         | 1,275,674           | 1,341,161           |
| Limited Liability Company Unit (B)   | 230 uts.  | 11/19/14         | 71,875<br>1,347,549 | 73,246<br>1,414,407 |
| <b>EPM Holding Company</b>   |   |                  |                     |                     |
| 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 07/26/2019  | \$ 292,129  | 07/26/13         | 287,901             | 295,050             |
| Common Stock (B)   | 1,535 shs.  | 07/26/13         | 153,474<br>441,375  | 460,427<br>755,477  |
| <b>ERG Holding Company LLC</b>   |   |                  |                     |                     |
| A provider of inpatient and outpatient clinical trial services to pharmaceutical companies and contract research organizations.  |   |                  |                     |                     |
| 13.5% Senior Subordinated Note due 10/04/2019  | \$ 951,373  | 04/04/14         | 936,509             | 945,288             |
| Common Stock (B)   | 31 shs.   | 04/04/14         | 77,533<br>1,014,042 | 83,727<br>1,029,015 |
| <b>F F C Holding Corporation</b>   |   |                  |                     |                     |
| 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              | 71,350              |

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|  |          |          |                  |                    |
|--|----------|----------|------------------|--------------------|
| Limited Liability Company Unit<br>Common (B) | 171 uts. | 09/27/10 | 17,073<br>75,418 | 152,084<br>223,434 |
|--|----------|----------|------------------|--------------------|

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.

|   |             |          |                   |                   |
|---|-------------|----------|-------------------|-------------------|
| Limited Liability Company Unit<br>Preferred (B) | 80,559 uts. | 04/15/14 | —                 | 80,559            |
| Limited Liability Company Unit Class<br>B-1 (B) | 65,789 uts. | 12/15/10 | 65,789            | 116,414           |
| Limited Liability Company Unit Class<br>B-2 (B) | 8,248 uts.  | 12/15/10 | 8,248             | 14,595            |
| Limited Liability Company Unit Class<br>B-3 (B) | 6,522 uts.  | 08/30/12 | 15,000            | 13,236            |
| Limited Liability Company Unit Class<br>C (B)   | 1,575 uts.  | 12/20/10 | 16,009<br>105,046 | 25,450<br>250,254 |

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

| Corporate Restricted Securities: (A) (Continued)   | Principal Amount, Shares, Units or Ownership Percentage | Acquisition Date | Cost         | Fair Value   |
|--|---|------------------|--------------|--------------|
| <b>FMH Holdings Corporation</b>  |   |                  |              |              |
| A designer and manufacturer of highly engineered components for the aerospace, defense and space industries.   |   |                  |              |              |
| 11.5% Senior Subordinated Note due   |   |                  |              |              |
| 11/01/2020   | \$ 1,443,937  | 05/01/15         | \$ 1,416,849 | \$ 1,446,141 |
| Common Stock (B)   | 148 shs.  | 05/01/15         | 148,096      | 126,700      |
|  |   |                  | 1,564,945    | 1,572,841    |
| <b>G C Holdings</b>  |   |                  |              |              |
| A leading manufacturer of gaming tickets, industrial recording charts, security-enabled point-of sale receipts, and medical charts and supplies.                           |   |                  |              |              |
| Warrant, exercisable until 2018, to purchase   |   |                  |              |              |
| common stock at \$.01 per share (B)  | 198 shs.  | 10/19/10         | 46,958       | 114,651      |
| <b>GD Dental Services LLC</b>  |   |                  |              |              |
| A provider of convenient "onestop" general, specialty, and cosmetic dental services with 21 offices located throughout South and Central Florida.                          |   |                  |              |              |
| Limited Liability Company Unit   |   |                  |              |              |
| Preferred (B)  | 76 uts.   | 10/05/12         | 75,920       | 91,282       |
| Limited Liability Company Unit   |   |                  |              |              |
| Common (B)   | 767 uts.  | 10/05/12         | 767          | 57,408       |
|  |   |                  | 76,687       | 148,690      |
| <b>GenNx Novel Holding, Inc.</b>   |   |                  |              |              |
| A manufacturer and distributor of nutraceutical ingredients.   |   |                  |              |              |
| 13% Senior Subordinated Note due   |   |                  |              |              |
| 03/27/2020   | \$ 1,589,945  | 03/27/14         | 1,564,345    | 1,562,978    |
| Common Stock (B)   | 15,500 shs.   | 03/27/14         | 155,000      | 149,853      |
|  |   |                  | 1,719,345    | 1,712,831    |
| <b>gloProfessional Holdings, Inc.</b>  |   |                  |              |              |
| 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   |   |                  |              |              |
| 03/27/2019   | \$ 1,189,972  | 03/27/13         | 1,174,549    | 1,189,972    |
| Common Stock (B)   | 1,181 shs.  | 03/27/13         | 118,110      | 157,835      |
|  |   |                  | 1,292,659    | 1,347,807    |

GlynnDevins Acquisition Corporation

A marketing communications agency that services senior living facilities.

13% Senior Subordinated Note due

|                              |            |          |         |         |
|------------------------------|------------|----------|---------|---------|
| 12/19/2020                   | \$ 788,872 | 06/19/15 | 773,863 | 784,160 |
| Preferred Stock Series A (B) | 342 shs.   | 06/19/15 | 70,683  | 70,684  |
| Common Stock (B)             | 342 shs.   | 06/19/15 | 2,945   | 2,397   |
|                              |            |          | 847,491 | 857,241 |

Babson Capital Participation Investors  
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
September 30, 2015  
(Unaudited)

| Corporate Restricted Securities: (A) (Continued)  | Principal Amount, Shares, Units or Ownership Percentage | Acquisition Date | Cost         | Fair Value   |
|---|---|------------------|--------------|--------------|
| <b>Grakon Parent</b>  |   |                  |              |              |
| The leading designer and manufacturer of highly-engineered and customized LED and incandescent lighting systems for transportation-based markets. |   |                  |              |              |
| 12% Senior Subordinated Note due 04/30/2021   | \$ 1,550,169  | 10/31/14         | \$ 1,522,208 | \$ 1,596,674 |
| Common Stock (B)  | 175 shs.  | 10/31/14         | 174,831      | 214,567      |
|   |   |                  | 1,697,039    | 1,811,241    |
| <b>GTI Holding Company</b>  |   |                  |              |              |
| A designer, developer, and marketer of precision specialty hand tools and handheld test instruments.  |   |                  |              |              |
| 12% Senior Subordinated Note due 02/05/2020   | \$ 727,865  | 02/05/14         | 686,758      | 703,267      |
| Common Stock (B)  | 846 shs.  | 02/05/14         | 84,636       | 84,434       |
| Warrant, exercisable until 2024, to purchase common stock at \$.01 per share (B)  | 397 shs.  | 02/05/14         | 36,816       | 39,622       |
|   |   |                  | 808,210      | 827,323      |
| <b>Handi Quilter Holding Company</b>  |   |                  |              |              |
| A designer and manufacturer of long-arm quilting machines and related components for the consumer quilting market.                                |   |                  |              |              |
| 12% Senior Subordinated Note due 06/19/2021   | \$ 1,437,500  | 12/19/14         | 1,411,117    | 1,406,145    |
| Limited Liability Company Unit Preferred (B)  | 288 uts.  | 12/19/14         | 287,500      | 272,230      |
| Limited Liability Company Unit Common Class A (B)   | 2,875 uts.  | 12/19/14         | —            | —            |
|   |   |                  | 1,698,617    | 1,678,375    |
| <b>Hartland Controls Holding Corporation</b>  |   |                  |              |              |
| A manufacturer and distributor of electronic and electromechanical components.  |   |                  |              |              |
| 14% Senior Subordinated Note due 08/14/2019   | \$ 1,089,948  | 02/14/14         | 1,072,922    | 1,111,747    |
| 12% Senior Subordinated Note due 08/14/2019   | \$ 431,250  | 06/22/15         | 427,168      | 430,459      |
| Preferred Stock Series A (B)  | 2,547 shs.  | 02/14/14         | 120,857      | 127,124      |

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|   |              |          |                      |                      |
|---|--------------|----------|----------------------|----------------------|
| Common Stock (B)  | 821 shs.     | 02/14/14 | 822<br>1,621,769     | 168,745<br>1,838,075 |
| Healthcare Direct Holding Company<br>A direct-to-customer marketer of discount dental plans.    |              |          |                      |                      |
| Common Stock (B)  | 517 shs.     | 03/09/12 | 51,724               | 88,031               |
| HHI Group, LLC<br>A developer, marketer, and distributor of hobby-grade radio control products. |              |          |                      |                      |
| 14% Senior Subordinated Note due<br>01/17/2020  | \$ 1,576,168 | 01/17/14 | 1,551,896            | 1,587,787            |
| Limited Liability Company Unit (B)  | 102 uts.     | 01/17/14 | 101,563<br>1,653,459 | 79,223<br>1,667,010  |



## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

| Corporate Restricted Securities: (A) (Continued)  | Principal Amount, Shares, Units or Ownership Percentage | Acquisition Date | Cost       | Fair Value |
|---|---|------------------|------------|------------|
| <b>Hi-Rel Group LLC</b>   |   |                  |            |            |
| 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 03/15/2018   | \$ 703,125  | 04/15/13         | \$ 675,671 | \$ 694,028 |
| Limited Liability Company Unit (B) Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)   | 234 uts.  | 04/15/13         | 234,375    | 185,445    |
|   | 37,177 shs.   | 04/15/13         | 32,344     | 29,414     |
|   |   |                  | 942,390    | 908,887    |
| <b>HOP Entertainment LLC</b>  |   |                  |            |            |
| 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         | —          | —          |
| <b>Hospitality Mints Holding Company</b>  |   |                  |            |            |
| A manufacturer of individually-wrapped imprinted promotional mints.   |   |                  |            |            |
| 12% Senior Subordinated Note due 08/19/2016   | \$ 1,098,837  | 08/19/08         | 1,083,230  | 1,074,325  |