

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-Q

November 25, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-Q

Quarterly Schedule of Portfolio Holdings of  
Registered Management Investment Company

Investment Company Act file number 811-05531

Babson Capital Participation Investors

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(Exact name of registrant as specified in charter)

1500 Main Street, Springfield, MA 01115

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(Address of principal executive offices) (Zip code)

Christopher A. DeFrancis, Vice President, Secretary and Chief Legal Officer  
1500 Main Street, Suite 2800, Springfield, MA 01115

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(Name and address of agent for service)

Registrant's telephone number, including area code: 413-226-1000

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Date of fiscal year end: 12/31

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Date of reporting period: 09/30/14

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2014

(Unaudited)

| Corporate Restricted Securities -<br>72.49%: (A)  | Principal Amount,<br>Shares, Units or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost               | Fair Value         |
|---|--|---------------------|--------------------|--------------------|
| Private Placement Investments -<br>59.60%   |  |                     |                    |                    |
| 1492 Acquisition LLC  |  |                     |                    |                    |
| A leading producer of premium Italian cured meats and deli meats in<br>the U.S.   |  |                     |                    |                    |
| 14% Senior Subordinated Note due<br>2019  | \$ 674,119   | 10/17/12            | \$ 663,287         | \$ 656,110         |
| Limited Liability Company Unit<br>Class A Common (B)  | 11,364 uts.  | 10/17/12            | 11,364             | 23,351             |
| Limited Liability Company Unit<br>Class A Preferred (B)   | 102 uts.   | 10/17/12            | 102,270<br>776,921 | 114,802<br>794,263 |
| A H C Holding Company, Inc.   |  |                     |                    |                    |
| A designer and manufacturer of boilers and water heaters for the<br>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<br>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<br>contractors operating in the State of Indiana.                              |  |                     |                    |                    |
| 10.5% Senior Secured Term<br>Note due 2015 (D)  | \$ 420,000   | 05/15/08            | 413,944            | 210,000            |
| 13% Senior Subordinated Note<br>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,<br>to purchase<br>common stock at \$.01 per share<br>(B)   | 21,099 shs.  | 05/15/08            | 35,654<br>894,225  | -<br>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:<br>(A) (Continued)   | Principal<br>Amount,<br>Shares, Units<br>or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost         | Fair Value   |
|---|--|---------------------|--------------|--------------|
| <b>Advanced Manufacturing<br/>Enterprises LLC</b>   |  |                     |              |              |
| A designer and manufacturer of large, custom gearing products for a number of critical customer applications. |  |                     |              |              |
| 14% Senior Subordinated Note due<br>2018  | \$ 1,134,615   | 12/07/12            | \$ 1,121,321 | \$ 1,128,253 |
| Limited Liability Company Unit<br>(B)   | 1,431 uts.   | *                   | 143,077      | 135,637      |
| * 12/07/12 and 07/11/13.  |  |                     | 1,264,398    | 1,263,890    |
| <b>Advanced Technologies Holdings</b>   |  |                     |              |              |
| 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<br>B (B)   | 28 shs.  | 01/04/11            | 21,600       | 47,709       |
|   |  |                     | 185,616      | 616,734      |
| <b>All Current Holding Company</b>  |  |                     |              |              |
| 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<br>purchase<br>common stock at \$.01 per share (B)                        | 507 shs.   | 09/26/08            | 46,584       | 101,947      |
|   |  |                     | 117,887      | 245,316      |
| <b>American Hospice Management<br/>Holding LLC</b>  |  |                     |              |              |
| A for-profit hospice care provider in the United States.  |  |                     |              |              |
| 12% Senior Subordinated Note due<br>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 |
|-----------------------|----------|----------|---------|---------|

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 |
|----------|------------|----------|---------|---------|

Limited Liability Company Unit

|             |         |          |        |        |
|-------------|---------|----------|--------|--------|
| Class B (B) | 26 uts. | 12/21/11 | 28,418 | 82,769 |
|-------------|---------|----------|--------|--------|

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:<br>(A) (Continued)  | Principal Amount,<br>Shares, Units or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost         | Fair Value   |
|--|--|---------------------|--------------|--------------|
| <b>ARI Holding Corporation</b>   |  |                     |              |              |
| 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    |
| <b>Arrow Tru-Line Holdings, Inc.</b>   |  |                     |              |              |
| 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      |
| <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 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      |
| <b>Baby Jogger Holdings LLC</b>  |  |                     |              |              |
| 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    |
| <b>Blue Wave Products, Inc.</b>  |  |                     |              |              |
| 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,<br>to purchase<br>common stock at \$.01 per share<br>(B)                  | 20,216 shs.  | 10/12/12 | 20,216<br>689,365    | 34,040<br>764,325    |
| <b>BP SCI LLC</b>  |              |          |                      |                      |
| A leading value-added distributor of branded pipes, valves, and fittings (PVF) to diversified end markets. |              |          |                      |                      |
| 14% Senior Subordinated Note<br>due 2018   | \$ 1,083,231 | 10/17/12 | 1,067,363            | 1,094,064            |
| Limited Liability Company Unit<br>Class A (B)  | 417 uts.     | 10/17/12 | 41,667               | 135,136              |
| Limited Liability Company Unit<br>Class B (B)  | 167 uts.     | 10/17/12 | 166,666<br>1,275,696 | 204,384<br>1,433,584 |

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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   |
|---|---|------------------|--------------|--------------|
| <b>Bravo Sports Holding Corporation</b>   |   |                  |              |              |
| A designer and marketer of niche branded consumer products including canopies, trampolines, in-line skates, skateboards, and urethane wheels. |   |                  |              |              |
| 12.5% Senior Subordinated Note due 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    |
| <b>C D N T, Inc.</b>  |   |                  |              |              |
| 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      |
| <b>Capital Specialty Plastics, Inc.</b>   |   |                  |              |              |
| 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.   |   |                  |              |              |
| <b>CG Holdings Manufacturing Company</b>  |   |                  |              |              |
| 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:<br>(A) (Continued)  | Principal<br>Amount,<br>Shares, Units<br>or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost         | Fair Value   |
|--|--|---------------------|--------------|--------------|
| <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.   |  |                     |              |              |
| 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    |
| <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      | 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      |
| <b>DPL Holding Corporation</b>   |  |                     |              |              |
| A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.   |  |                     |              |              |
| 14% Senior Subordinated Note due 2019  | \$ 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    |
| <b>E S P Holdco, Inc.</b>  |  |                     |              |              |
| 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      |
| <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. |  |                     |              |              |
| 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<br>1,036,017 | 176,520<br>1,210,051 |
| ELT Holding Company<br>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 |
|---|---|------------------|------------|------------|
| <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 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    |
| <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 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  |
| <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     | 207,629    |
| Limited Liability Company   |   |                  |            |            |
| Unit (B)  | 171 uts.  | 09/27/10         | 17,073     | 29,308     |
|   |   |                  | 75,418     | 236,937    |
| <b>F G I Equity LLC</b>   |   |                  |            |            |
| A manufacturer of a broad range of filters and related products that are used in commercial, light industrial, healthcare, gas turbine, nuclear, laboratory, clean room, hotel, educational system, and food processing settings. |   |                  |            |            |
|   | 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    |
| <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  | 198 shs.  | 10/19/10         | 46,958     | 110,776    |

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 | 84,330  |
|  |          |          | 76,687 | 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   |
|--|---|------------------|--------------|--------------|
| <b>GenNx Novel Holding, Inc.</b>   |   |                  |              |              |
| 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    |
| <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 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    |
| <b>Golden County Foods Holding, Inc.</b>   |   |                  |              |              |
| 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    | -            |
| <b>GTI Holding Company</b>   |   |                  |              |              |
| 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      |
| <b>Handi Quilter Holding Company</b>   |   |                  |              |              |
| 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 |

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Corporate Restricted Securities: (A)<br>(Continued)  | Principal Amount,<br>Shares, Units or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost                 | Fair Value          |
|--|--|---------------------|----------------------|---------------------|
| <b>Healthcare Direct Holding Company</b>   |  |                     |                      |                     |
| 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<br>821,332    | 58,902<br>827,793   |
| <b>HHI Group, LLC</b>  |  |                     |                      |                     |
| 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<br>1,618,508 | 84,037<br>1,636,521 |
| <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 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<br>933,921    | 14,551<br>809,694   |
| <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            | -                    | -                   |

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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:<br>(A) (Continued)  | Principal<br>Amount,<br>Shares, Units<br>or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost                 | Fair Value           |
|--|--|---------------------|----------------------|----------------------|
| <b>Ideal Tridon Holdings, Inc.</b>   |  |                     |                      |                      |
| 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           |
| <b>Insurance Claims Management,<br/>Inc.</b>   |  |                     |                      |                      |
| 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              |
| <b>J A C Holding Enterprises, Inc.</b>   |  |                     |                      |                      |
| 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,<br>to purchase<br>common stock at \$.01 per share                             |  |                     |                      |                      |
| (B)  | 12 shs.  | 12/20/10            | 105,643<br>272,310   | -<br>-               |
| <b>Janus Group Holdings LLC</b>  |  |                     |                      |                      |
| A manufacturer of roll-up doors and hallway systems that are primarily used in self-storage facilities.        |  |                     |                      |                      |
| 13.5% Senior Subordinated Note<br>due 2019   | \$ 1,342,391   | 12/11/13            | 1,318,315            | 1,382,663            |
| Limited Liability Company Unit<br>Class A (B)  | 283 uts.   | 12/11/13            | 232,837<br>1,551,152 | 567,229<br>1,949,892 |
| <b>JMH Investors LLC</b>   |  |                     |                      |                      |
| A developer and manufacturer of custom formulations for a wide variety of foods.                               |  |                     |                      |                      |
| 14.25% Senior Subordinated<br>Note due 2019  | \$ 1,075,706   | 12/05/12            | 1,058,602            | 1,011,322            |
| Limited Liability Company Unit<br>(B)  | 217,391 uts.   | 12/05/12            | 217,391<br>1,275,993 | 98,234<br>1,109,556  |
| <b>K &amp; N Parent, Inc.</b>  |  |                     |                      |                      |
| 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,<br>to purchase<br>common stock at \$.01 per share<br>(B) | 43,600 shs. | 05/25/06 | 37,871<br>108,924 | 41,817<br>109,965 |

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Corporate Restricted Securities:<br>(A) (Continued)   | Principal Amount,<br>Shares, Units or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost                      | Fair Value        |
|---|--|---------------------|---------------------------|-------------------|
| <b>K P I Holdings, Inc.</b>   |  |                     |                           |                   |
| 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            | -<br>327,925              | 48,390<br>380,878 |
| <b>LPC Holding Company</b>  |  |                     |                           |                   |
| 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           |
| <b>M V I Holding, Inc.</b>  |  |                     |                           |                   |
| 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<br>66,857 | -<br>-            |
| <b>Mail Communications Group, Inc.</b>  |  |                     |                           |                   |
| 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 |

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Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Corporate Restricted Securities: (A)<br>(Continued)   | Principal<br>Amount,<br>Shares,<br>Units or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost      | Fair Value |
|---|--|---------------------|-----------|------------|
| <b>MedSystems Holdings LLC</b>  |  |                     |           |            |
| 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<br>due 2019       | \$ 454,295   | 09/22/11 | 448,144 | 454,295 |
| Limited Liability Company<br>Unit Series A     | 228 uts.     | 05/07/14 | 14,760  | 11,341  |
| Limited Liability Company<br>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<br>due 2014 (D)   | \$ 902,727 | *        | 865,676   | - |
| Preferred Stock Series A (B)  | 519 shs.   | 10/10/12 | 498,734   | - |
| Common Stock (B)  | 238 shs.   | *        | 238,000   | - |
| Common Stock Series B (B)   | 597 shs.   | 10/10/12 | 6         | - |
| Warrant, exercisable until<br>2014, to purchase<br>common stock at \$.02 per<br>share (B) | 87 shs.    | *        | 86,281    | - |
| *08/12/05 and 09/11/06.   |            |          | 1,688,697 | - |

**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<br>due 2021 | \$ 1,082,045 | 09/30/14 | 1,060,410 | 1,079,511 |
| 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 |
| <b>MNX Holding Company</b>  |              |          |           |           |
| 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 |
| <b>Motion Controls Holdings</b>   |              |          |           |           |
| 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)<br>(Continued)  | Principal Amount,<br>Shares, Units or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost       | Fair<br>Value |
|--|--|---------------------|------------|---------------|
| NABCO, Inc.<br>A producer of explosive containment vessels in the United States.   |  |                     |            |               |
| Common Stock (B)   | 429 shs.   | 12/20/12            | \$ 306,091 | \$ -          |
| NetShape Technologies, Inc.<br>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<br>Saw Mill PCG Partners LLC (B)   | 1.38% int.   | 02/01/07            | 588,077    | -             |
| Limited Liability Company Unit Class D of<br>Saw Mill PCG Partners LLC (B)   | 9 uts.   | *                   | 8,873      | -             |
| Limited Liability Company Unit Class D-1 of<br>Saw Mill PCG Partners LLC (B)   | 121 uts.   | 09/30/09            | 121,160    | 14,435        |
| Limited Liability Company Unit Class D-2 of<br>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<br>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.<br>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<br>purchase<br>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<br>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)<br>(Continued)   | Principal<br>Amount,<br>Shares, Units<br>or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost       | Fair Value |
|---|--|---------------------|------------|------------|
| <b>P K C Holding Corporation</b>  |  |                     |            |            |
| 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    |
| <b>P P T Holdings LLC</b>   |  |                     |            |            |
| 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  |
| <b>Pearlman Enterprises, Inc.</b>   |  |                     |            |            |
| 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    |
| <b>Petroplex Inv Holdings LLC</b>   |  |                     |            |            |
| 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  |
| <b>Polytex Holdings LLC</b>   |  |                     |            |            |
| 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)<br>(Continued)   | Principal<br>Amount,<br>Shares, Units<br>or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost       | Fair Value |
|---|--|---------------------|------------|------------|
| Precision Wire Holding Company<br>A manufacturer of specialty medical wires that are used in non-elective minimally invasive surgical procedures.<br>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<br>LLC<br>A designer and manufacturer of women's swimwear sold under a variety of licensed brand names.<br>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.<br>A provider of accounts receivable management and revenue cycle management services to customers in the healthcare, financial and utility industries.<br>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<br>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 |
|--|--------------|----------|---------|---------|

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:<br>(A) (Continued)  | Principal<br>Amount,<br>Shares, Units<br>or<br>Ownership<br>Percentage | Acquisition<br>Date | Cost               | Fair Value         |
|--|--|---------------------|--------------------|--------------------|
| Smart Source Holdings LLC<br>A short-term computer rental<br>company.<br>Limited Liability Company Unit<br>(B)   | 328 uts.   | *                   | \$ 261,262         | \$ 460,993         |
| Warrant, exercisable until 2015, to<br>purchase<br>common stock at \$.01 per share<br>(B)<br>* 08/31/07 and 03/06/08.  | 83 shs.  | *                   | 67,467<br>328,729  | 116,770<br>577,763 |
| SMB Machinery Holdings, Inc.<br>A reseller of used, rebuilt and refurbished packaging and processing equipment, primarily serving the bottling and<br>food manufacturing industries.<br>14% Senior Subordinated Note<br>due 2019 | \$ 742,387   | 10/18/13            | 729,393            | 716,422            |
| Common Stock (B)   | 841 shs.   | 10/18/13            | 84,100<br>813,493  | -<br>716,422       |
| Spartan Foods Holding Company<br>A manufacturer of branded pizza<br>crusts and pancakes.<br>14.25% Senior Subordinated Note<br>due 2017  | \$ 605,299   | 12/15/09            | 551,342            | 605,299            |
| Warrant, exercisable until 2018, to<br>purchase<br>common stock at \$.01 per share<br>(B)  | 136 shs.   | 12/15/09            | 120,234<br>671,576 | 85,327<br>690,626  |
| Specialty Commodities, Inc.<br>A distributor of specialty food<br>ingredients.<br>Common Stock (B)   | 16 shs.  | 10/23/08            | 158,824            | 415,436            |
| Warrant, exercisable until 2018, to<br>purchase<br>common stock at \$.01 per share<br>(B)  | 6 shs.   | 10/23/08            | 53,285<br>212,109  | 156,946<br>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<br>1,260,971 | 44,827<br>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<br>158,967 | 12/13/13 | 1,040,079            | 1,082,446            |
| Preferred Stock Series A (B)          | shs.                    | 12/13/13 | 158,967<br>1,199,046 | 123,594<br>1,206,040 |

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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 |
|--|---|------------------|-----------|------------|
| <b>Strata/WLA Holding Corporation</b>  |   |                  |           |            |
| 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         | \$943,703 | \$-        |
| Preferred Stock Series A (B)   | 76 shs.   | 07/01/11         | 76,046    | -          |
|  |   |                  | 1,019,749 | -          |
| <b>Sundance Investco LLC</b>   |   |                  |           |            |
| A provider of post-production services to producers of movies and television shows.  |   |                  |           |            |
| Limited Liability Company Unit Class A (B)   | 3,405 uts.  | 03/31/10         | -         | -          |
| <b>Sunrise Windows Holding Company</b>   |   |                  |           |            |
| A manufacturer and marketer of premium vinyl windows exclusively selling to the residential remodeling and replacement market.   |   |                  |           |            |
| 14% Senior Subordinated Note due 2017  | \$ 1,038,557  | 12/14/10         | 1,005,216 | 1,038,027  |
| 14% Senior Subordinated PIK Note due 2017  | \$ 95,902   | 08/17/12         | 93,467    | 95,853     |
| Common Stock (B)   | 38 shs.   | 12/14/10         | 38,168    | 30,254     |
| Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)   | 37 shs.   | 12/14/10         | 37,249    | 29,525     |
|  |   |                  | 1,174,100 | 1,193,659  |
| <b>Synteract Holdings Corporation</b>  |   |                  |           |            |
| A provider of outsourced clinical trial management services to pharmaceutical and biotechnology companies.   |   |                  |           |            |
| 14% Senior Subordinated Note due 2019  | \$ 2,028,477  | 09/02/08         | 1,972,019 | 1,829,477  |
| Preferred Stock Series D (B)   | 257 shs.  | 02/27/13         | 25,678    | -          |
| Redeemable Preferred Stock Series A (B)  | 678 shs.  | 10/03/08         | 6,630     | -          |
| Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)   | 6,778 shs.  | 09/02/08         | 59,661    | -          |
|  |   |                  | 2,063,988 | 1,829,477  |
| <b>Terra Renewal LLC</b>   |   |                  |           |            |
| A provider of wastewater residual management and required environmental reporting, permitting, nutrient management planning and record keeping to companies involved in poultry and food processing. |   |                  |           |            |
| 10% Senior Subordinated Note due 2016 (D)  | \$ 350,860  | *                | 9,345     | 350,860    |

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|   |            |          |         |         |
|---|------------|----------|---------|---------|
| Common Stock Class B  | 32 shs.    | *        | -       | -       |
| Limited Partnership Interest of<br>Saw Mill Capital Fund V, LLC (B)                 | 2.27% int. | **       | 65,387  | -       |
| Warrant, exercisable until 2016, to purchase<br>common stock at \$.01 per share (B) | 41 shs.    | 04/28/06 | 33,738  | -       |
| * 04/28/06 and 09/13/06.  |            |          | 108,470 | 350,860 |
| **03/01/05 and 10/10/08.  |            |          |         |         |

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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   |
|---|---|------------------|-----------|--------------|
| <b>Torrent Group Holdings, Inc.</b>   |   |                  |           |              |
| A contractor specializing in the sales and installation of engineered drywells for the retention and filtration of stormwater and nuisance water flow.                                |   |                  |           |              |
| 3% Senior Subordinated Note due 2018 (D)  | \$ 1,062,258  | 12/05/13         | \$ -      | \$ 1,009,145 |
| 15% Senior Subordinated Note due 2020 (D)   | \$ 46,798   | 12/05/13         | 219,203   | -            |
| Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)  | 28,079  | 12/05/13         | -         | -            |
|   |   |                  | 219,203   | 1,009,145    |
| <b>Transpac Holding Company</b>   |   |                  |           |              |
| A designer, importer, and wholesaler of home décor and seasonal gift products.  |   |                  |           |              |
| 12% Senior Subordinated Note due 2015 (D)   | \$ 938,651  | 10/31/07         | 909,276   | -            |
| Common Stock (B)  | 110 shs.  | 10/31/07         | 110,430   | -            |
| Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)  | 50 shs.   | 10/31/07         | 46,380    | -            |
|   |   |                  | 1,066,086 | -            |
| <b>Tranzonic Holdings LLC</b>   |   |                  |           |              |
| A producer of commercial and industrial supplies, such as safety products, janitorial supplies, work apparel, washroom and restroom supplies and sanitary care products.              |   |                  |           |              |
| 14% Senior Subordinated Note due 2019   | \$ 1,514,157  | 07/05/13         | 1,488,841 | 1,525,643    |
| Limited Liability Company Unit Class A (B)  | 147,727 shs.  | 07/05/13         | 147,727   | 167,189      |
|   |   |                  | 1,636,568 | 1,692,832    |
| <b>Truck Bodies &amp; Equipment International</b>   |   |                  |           |              |
| A designer and manufacturer of accessories for heavy and medium duty trucks, primarily dump bodies, hoists, various forms of flat-bed bodies, landscape bodies and other accessories. |   |                  |           |              |
| 12% Senior Subordinated Note due 2016   | \$ 727,062  | *                | 716,260   | 727,062      |
| Preferred Stock Series B (B)  | 128 shs.  | 10/20/08         | 127,677   | 454,860      |

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|   |            |          |                   |                   |
|---|------------|----------|-------------------|-------------------|
| Common Stock (B)  | 393 shs.   | *        | 423,985           | 24,154            |
| Warrant, exercisable until<br>2017, to purchase<br>common stock at \$.02 per<br>share (B) | 81 shs.    | *        | 84,650            | 4,988             |
| Warrant, exercisable until<br>2018, to purchase<br>common stock at \$.01 per<br>share (B) | 558 shs.   | 10/20/08 | -                 | 34,304            |
| * 07/19/05 and 12/22/05.  |            |          | 1,352,572         | 1,245,368         |
| TruStile Doors, Inc.  |            |          |                   |                   |
| A manufacturer and distributor of interior doors.   |            |          |                   |                   |
| Limited Liability Company   |            |          |                   |                   |
| Unit (B)  | 5,888 uts. | 02/28/11 | 78,125            | 219,025           |
| Warrant, exercisable until<br>2016, to purchase<br>common stock at \$.01 per<br>share (B) | 3,060 shs. | 04/11/03 | 36,032<br>114,157 | 31,747<br>250,772 |

## 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          |
|---|---|------------------|--------------------|---------------------|
| <b>U-Line Corporation</b>   |   |                  |                    |                     |
| A manufacturer of high-end, built-in, undercounter ice making, wine storage and refrigeration appliances. |   |                  |                    |                     |
| Common Stock (B)  | 96 shs.   | 04/30/04         | \$ 96,400          | \$ 234,588          |
| Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)                          | 122 shs.  | 04/30/04         | 112,106<br>208,506 | 296,885<br>531,473  |
| <b>U M A Enterprises, Inc.</b>  |   |                  |                    |                     |
| An importer and wholesaler of home décor products.  |   |                  |                    |                     |
| 15% Senior Subordinated Note 2021   | \$ 1,236,665  | 06/06/14         | 338,374            | 1,259,667           |
| Warrant, exercisable until 2024, to purchase common stock at \$.01 per share (B)                          | 791 shs.  | 06/06/14         | -<br>338,374       | 41,071<br>1,300,738 |
| <b>Vitex Packaging Group, Inc.</b>  |   |                  |                    |                     |
| A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags.                     |   |                  |                    |                     |
| Class B Unit (B)  | 406,525 uts.  | 10/29/09         | 184,266            | -                   |
| Class C Unit (B)  | 450,000 uts.  | 10/29/09         | 413,244            | 78,922              |
| Limited Liability Company Unit Class A (B)  | 383,011 uts.  | *                | 229,353            | -                   |
| Limited Liability Company Unit Class B (B)  | 96,848 uts.   | 07/19/04         | 96,848             | -                   |
| * 07/19/04 and 10/29/09.  |   |                  | 923,711            | 78,922              |
| <b>VP Holding Company</b>   |   |                  |                    |                     |
| A provider of school transportation services for special-needs and homeless children in Massachusetts.    |   |                  |                    |                     |
| 13% Senior Subordinated Note due 2020   | \$ 501,842  | 03/31/14         | 492,420            | 515,330             |
| Common Stock (B)  | 3,632 shs.  | 03/31/14         | 363,158<br>855,578 | 318,330<br>833,660  |
| <b>Wellborn Forest Holding Company</b>  |   |                  |                    |                     |

A manufacturer of semi-custom kitchen and bath cabinetry.

|  |    |           |          |           |   |
|--|----|-----------|----------|-----------|---|
| 8% Senior Subordinated Note due 2017 (D)   | \$ | 1,680,931 | 11/30/06 | 867,531   | - |
| Common Stock (B)   |    | 101 shs.  | 11/30/06 | 101,250   | - |
| Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B) |    | 51 shs.   | 11/30/06 | 45,790    | - |
|  |    |           |          | 1,014,571 | - |

Wheaton Holding Corporation

A distributor and manufacturer of laboratory supply products and packaging.

|                              |  |          |          |        |         |
|------------------------------|--|----------|----------|--------|---------|
| Preferred Stock Series B (B) |  | 703 shs. | 06/08/10 | 70,308 | 103,791 |
| Common Stock (B)             |  | 353 shs. | 06/08/10 | 353    | 50,883  |
|                              |  |          |          | 70,661 | 154,674 |

## Babson Capital Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(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    |
|--|--|---------------------|---------------|---------------|
| Whitcraft Holdings, Inc.   |  |                     |               |               |
| A leading independent manufacturer of precision formed, machined, and fabricated flight-critical aerospace components. |  |                     |               |               |
| 12% Senior Subordinated Note due 2018  | \$ 794,521   | 12/16/10            | \$ 752,050    | \$ 789,863    |
| Common Stock (B)   | 205 shs.   | 12/16/10            | 205,480       | 80,162        |
| Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)                                       | 55 shs.  | 12/16/10            | 49,334        | 21,542        |
|  |  |                     | 1,006,864     | 891,567       |
| WP Supply Holding Corporation  |  |                     |               |               |
| A distributor of fresh fruits and vegetables to grocery wholesalers and foodservice distributors in the upper Midwest. |  |                     |               |               |
| 14.5% Senior Subordinated Note due 2018  | \$ 913,965   | 11/03/11            | 901,995       | 932,243       |
| Common Stock (B)   | 1,500 shs.   | 11/03/11            | 150,000       | 200,866       |
|  |  |                     | 1,051,995     | 1,133,109     |
| Total Private Placement Investments (E)  |  |                     | \$ 84,008,596 | \$ 83,562,794 |





## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Corporate Restricted Securities: (A)<br>(Continued) | Interest | Due        | Principal  |            | Market     |
|---|----------|------------|------------|------------|------------|
|   | Rate     | Date       | Amount     | Cost       | Value      |
| Rule 144A Securities - 12.89%:                      |          |            |            |            |            |
| Bonds - 12.89%                                      |          |            |            |            |            |
| Alliant Techsystems Inc.                            | 5.250    | % 10/01/21 | \$ 500,000 | \$ 500,000 | \$ 501,250 |
| Amsted Industries                                   | 5.375    | 09/15/24   | 240,000    | 240,000    | 232,800    |
| ArcelorMittal                                       | 6.125    | 06/01/18   | 500,000    | 510,135    | 530,000    |
| Belden Inc.   | 5.250    | 07/15/24   | 210,000    | 210,000    | 201,075    |
| California Resources Corporation                    | 6.000    | 11/15/24   | 480,000    | 480,000    | 493,200    |
| CITGO Petroleum Corporation                         | 6.250    | 08/15/22   | 425,000    | 425,000    | 442,000    |
| Cornerstone Chemical Company                        | 9.375    | 03/15/18   | 375,000    | 382,618    | 393,750    |
| CTP Transportation Products, LLC                    | 8.250    | 12/15/19   | 310,000    | 310,000    | 330,925    |
| Endo Finance LLC                                    | 5.375    | 01/31/23   | 500,000    | 490,131    | 477,500    |
| First Data Corporation                              | 7.375    | 06/15/19   | 250,000    | 250,000    | 263,150    |
| Forest Laboratories, Inc.                           | 5.000    | 12/15/21   | 370,000    | 370,000    | 395,486    |
| Forest Laboratories, Inc.                           | 4.875    | 02/15/21   | 500,000    | 500,000    | 533,390    |
| Hercules Offshore, Inc.                             | 7.500    | 10/01/21   | 750,000    | 750,000    | 603,750    |
| Hilcorp Energy Company                              | 7.625    | 04/15/21   | 325,000    | 313,798    | 342,062    |
| Hilcorp Energy Company                              | 5.000    | 12/01/24   | 335,000    | 335,000    | 322,438    |
| Hilton Worldwide Holdings, Inc.                     | 5.625    | 10/15/21   | 750,000    | 750,000    | 772,500    |
| J.B. Poindexter Co., Inc.                           | 9.000    | 04/01/22   | 500,000    | 500,000    | 536,875    |
| JBS USA Holdings, Inc.                              | 7.750    | 10/28/20   | 375,000    | 393,858    | 398,437    |
| Jupiter Resources Inc.                              | 8.500    | 10/01/22   | 500,000    | 476,206    | 443,750    |
| Lamar Media Corporation                             | 5.375    | 01/15/24   | 160,000    | 160,000    | 160,400    |
| LBC Tank Terminals Holding                          |          |            |            |            |            |
| Netherlands B.V.                                    | 6.875    | 05/15/23   | 663,000    | 682,849    | 706,095    |
| Mallinckrodt PLC                                    | 5.750    | 08/01/22   | 500,000    | 500,000    | 503,750    |
| MEG Energy Corporation                              | 6.375    | 01/30/23   | 500,000    | 500,000    | 504,375    |
| MEG Energy Corporation                              | 7.000    | 03/31/24   | 500,000    | 500,000    | 517,500    |
| Niska Gas Storage Partners LLC                      | 6.500    | 04/01/19   | 500,000    | 500,000    | 437,500    |
| NRG Energy, Inc.                                    | 6.250    | 07/15/22   | 500,000    | 500,000    | 512,813    |
| Numericable Group SA                                | 4.875    | 05/15/19   | 240,000    | 240,000    | 237,000    |
| NXP BV/NXP Funding LLC                              | 3.750    | 06/01/18   | 750,000    | 750,000    | 736,875    |
| Paperworks Industries, Inc.                         | 9.500    | 08/15/19   | 500,000    | 511,612    | 508,750    |
| Penske Corporation                                  | 4.875    | 07/11/22   | 500,000    | 498,226    | 537,322    |
| RKI Inc.  | 8.500    | 08/01/21   | 500,000    | 502,232    | 516,250    |
| Prestige Brands Holdings, Inc.                      | 5.375    | 12/15/21   | 650,000    | 650,000    | 611,000    |



## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Corporate Restricted Securities: (A)<br>(Continued) | Interest<br>Rate | Due<br>Date | Shares or<br>Principal<br>Amount | Cost           | Market<br>Value |
|---|------------------|-------------|----------------------------------|----------------|-----------------|
| Safway Group Holding LLC/Finance Corporation        | 7.000            | % 05/15/18  | \$ 250,000                       | \$ 250,000     | \$ 254,375      |
| Sirius XM Radio Inc.                                | 5.875            | 10/01/20    | 445,000                          | 445,000        | 450,563         |
| Sprint Corporation                                  | 7.125            | 06/15/24    | 155,000                          | 155,000        | 156,163         |
| Topaz Marine S.A.                                   | 8.625            | 11/01/18    | 500,000                          | 500,000        | 517,600         |
| Univision Communications                            | 5.125            | 05/15/23    | 160,000                          | 160,000        | 162,000         |
| Valeant Pharmaceuticals International               | 7.000            | 10/01/20    | 250,000                          | 250,656        | 261,250         |
| Welltec A/S   | 8.000            | 02/01/19    | 375,000                          | 369,673        | 388,125         |
| West Corporation                                    | 5.375            | 07/15/22    | 500,000                          | 490,171        | 461,250         |
| William Lyon Homes                                  | 7.000            | 08/15/22    | 500,000                          | 500,000        | 506,250         |
| XPO Logistics, Inc.                                 | 7.875            | 09/01/19    | 210,000                          | 210,000        | 216,825         |
| Total Bonds   |                  |             |                                  | 18,012,165     | 18,078,369      |
| Convertible Preferred Stock - 0.00%                 |                  |             |                                  |                |                 |
| ETEX Corporation (B)                                |                  |             | 194                              | -              | -               |
| Total Convertible Preferred Stock                   |                  |             |                                  | -              | -               |
| Preferred Stock - 0.00%                             |                  |             |                                  |                |                 |
| TherOX, Inc. (B)                                    |                  |             | 26                               | -              | -               |
| Total Preferred Stock                               |                  |             |                                  | -              | -               |
| Common Stock - 0.00%                                |                  |             |                                  |                |                 |
| Touchstone Health Partnership (B)                   |                  |             | 292                              | -              | -               |
| Total Common Stock                                  |                  |             |                                  | -              | -               |
| Total Rule 144A Securities                          |                  |             |                                  | 18,012,165     | 18,078,369      |
| Total Corporate Restricted Securities               |                  |             |                                  | \$ 102,020,761 | \$ 101,641,163  |

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Corporate Public Securities - 30.74%:<br>(A) | Interest<br>Rate | Due<br>Date | Principal<br>Amount | Cost         | Market<br>Value |
|--|------------------|-------------|---------------------|--------------|-----------------|
| <b>Bank Loans - 0.22%</b>                    |                  |             |                     |              |                 |
| American Energy - Marcellus, LLC             | 5.250            | % 07/09/21  | \$ 139,318          | 138,639      | 137,968         |
| Aquilex Holdings LLC                         | 5.250            | 12/31/20    | 170,119             | 169,736      | 168,134         |
| Total Bank Loans                             |                  |             |                     | 308,375      | 306,102         |
| <b>Bonds - 30.51%</b>                        |                  |             |                     |              |                 |
| AAR Corporation                              | 7.250            | % 01/15/22  | \$ 1,000,000        | \$ 1,054,036 | \$ 1,075,000    |
| Access Midstream Partners, L.P.              | 4.875            | 03/15/24    | 500,000             | 500,000      | 511,250         |
| Accuride Corp                                | 9.500            | 08/01/18    | 500,000             | 486,764      | 521,250         |
| ADT Corporation                              | 6.250            | 10/15/21    | 500,000             | 517,213      | 517,500         |
| Alcoa, Inc.                                  | 6.150            | 08/15/20    | 600,000             | 623,917      | 661,296         |
| Alliant Techsystems Inc.                     | 6.875            | 09/15/20    | 500,000             | 530,057      | 537,500         |
| Ally Financial, Inc.                         | 5.500            | 02/15/17    | 750,000             | 759,121      | 780,000         |
| Alta Mesa Financial Services                 | 9.625            | 10/15/18    | 750,000             | 732,692      | 776,250         |
| Anixter, Inc.                                | 5.125            | 10/01/21    | 165,000             | 165,000      | 162,938         |
| Antero Resources Corporation                 | 5.375            | 11/01/21    | 395,000             | 395,000      | 393,025         |
| American Axle & Manufacturing, Inc.          | 5.125            | 02/15/19    | 120,000             | 120,000      | 119,400         |
| Anglogold Holdings PLC                       | 5.375            | 04/15/20    | 600,000             | 604,178      | 602,466         |
| Avis Budget Car Rental                       | 9.750            | 03/15/20    | 375,000             | 375,000      | 412,500         |
| B E Aerospace, Inc.                          | 6.875            | 10/01/20    | 250,000             | 255,446      | 266,875         |
| B&G Foods, Inc.                              | 4.625            | 06/01/21    | 440,000             | 440,000      | 419,100         |
| Bank of America Corporation                  | 4.000            | 04/01/24    | 500,000             | 498,202      | 505,211         |
| Bill Barrett Corporation                     | 7.000            | 10/15/22    | 500,000             | 482,088      | 496,250         |
| Bonanza Creek Energy, Inc.                   | 5.750            | 02/01/23    | 500,000             | 500,000      | 480,000         |
| Braskem Finance Ltd.                         | 6.450            | 02/03/24    | 375,000             | 375,000      | 390,000         |
| Brunswick Corporation                        | 7.125            | 08/01/27    | 500,000             | 504,558      | 540,000         |
| Calumet Specialty Products Partners<br>L.P.  | 7.625            | 01/15/22    | 500,000             | 502,492      | 507,500         |
| Calpine Corporation                          | 5.750            | 01/15/25    | 340,000             | 340,000      | 330,225         |
| CCO Holdings Capital Corporation             | 5.250            | 09/30/22    | 500,000             | 495,804      | 489,375         |
| CCO Holdings Capital Corporation             | 5.750            | 01/15/24    | 500,000             | 483,396      | 497,500         |
| Centurytel, Inc.                             | 5.000            | 02/15/15    | 500,000             | 501,358      | 503,750         |
| CHC Helicopter SA                            | 9.250            | 10/15/20    | 900,000             | 845,060      | 958,500         |
| Chrysler Group, LLC                          | 8.000            | 06/15/19    | 210,000             | 225,503      | 222,863         |
| Chrysler Group, LLC                          | 8.250            | 06/15/21    | 210,000             | 230,482      | 228,900         |
| Cimarex Energy Co.                           | 5.875            | 05/01/22    | 500,000             | 535,098      | 537,500         |
| CIT Group, Inc.                              | 5.000            | 08/15/22    | 500,000             | 500,000      | 501,250         |
| CIT Group, Inc.                              | 3.875            | 02/19/19    | 500,000             | 500,000      | 491,250         |
| Clearwater Paper Corporation                 | 4.500            | 02/01/23    | 500,000             | 495,621      | 477,500         |
| Coeur d'Alene Mines Corporation              | 7.875            | 02/01/21    | 500,000             | 501,648      | 468,750         |



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Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Corporate Public Securities: (A)<br>(Continued) | Interest<br>Rate | Due<br>Date | Principal<br>Amount | Cost       | Market<br>Value |
|---|------------------|-------------|---------------------|------------|-----------------|
| Commercial Metals Company                       | 4.875            | % 05/15/23  | \$ 750,000          | \$ 751,402 | \$ 720,000      |
| Continental Resources, Inc.                     | 5.000            | 09/15/22    | 500,000             | 509,802    | 527,500         |
| CVR Refining LLC                                | 6.500            | 11/01/22    | 350,000             | 338,819    | 357,000         |
| DaVita, Inc.                                    | 5.750            | 08/15/22    | 500,000             | 500,000    | 518,125         |
| Duke Realty Limited Partnership                 | 3.875            | 10/15/22    | 500,000             | 505,672    | 505,619         |
| Ensco PLC                                       | 3.250            | 03/15/16    | 600,000             | 599,223    | 618,040         |
| Equifax, Inc.                                   | 4.450            | 12/01/14    | 500,000             | 500,693    | 500,734         |
| Forum Energy Technologies                       | 6.250            | 10/01/21    | 160,000             | 160,000    | 164,400         |
| GATX Corporation                                | 4.750            | 05/15/15    | 500,000             | 502,065    | 512,517         |
| General Electric Capital Corporation            | 5.500            | 01/08/20    | 500,000             | 498,818    | 572,989         |
| HCA Holdings, Inc.                              | 3.750            | 03/15/19    | 500,000             | 500,000    | 488,750         |
| Headwaters, Inc.                                | 7.625            | 04/01/19    | 305,000             | 305,104    | 317,963         |
| HealthSouth Corporation                         | 7.750            | 09/15/22    | 405,000             | 405,797    | 431,831         |
| Hertz Corporation                               | 6.750            | 04/15/19    | 220,000             | 217,666    | 226,875         |
| Hornbeck Offshore Services, Inc.                | 5.000            | 03/01/21    | 500,000             | 500,000    | 475,000         |
| Icahn Enterprises L.P.                          | 4.875            | 03/15/19    | 475,000             | 475,000    | 467,875         |
| Icahn Enterprises L.P.                          | 6.000            | 08/01/20    | 600,000             | 610,908    | 616,500         |
| International Game Technology                   | 7.500            | 06/15/19    | 500,000             | 499,841    | 565,619         |
| Jabil Circuit, Inc.                             | 4.700            | 09/15/22    | 500,000             | 499,972    | 503,125         |
| Johnson Controls, Inc.                          | 5.500            | 01/15/16    | 500,000             | 476,038    | 529,966         |
| Kraft Foods, Inc.                               | 5.375            | 02/10/20    | 500,000             | 510,428    | 566,877         |
| Lazard Group LLC                                | 4.250            | 11/14/20    | 500,000             | 498,535    | 522,710         |
| Lear Corporation                                | 4.750            | 01/15/23    | 375,000             | 368,409    | 370,313         |
| Lennar Corporation                              | 4.750            | 11/15/22    | 375,000             | 369,919    | 362,813         |
| Lifepoint Hospitals, Inc.                       | 5.500            | 12/01/21    | 350,000             | 360,032    | 354,375         |
| Linn Energy, LLC                                | 8.625            | 04/15/20    | 500,000             | 504,334    | 516,875         |
| Masco Corporation                               | 7.125            | 03/15/20    | 350,000             | 349,999    | 402,500         |
| MasTec, Inc.                                    | 4.875            | 03/15/23    | 500,000             | 490,504    | 467,500         |
| Meritor, Inc.                                   | 6.750            | 06/15/21    | 1,000,000           | 1,000,000  | 1,040,000       |
| Morgan Stanley                                  | 5.500            | 01/26/20    | 500,000             | 498,376    | 560,626         |
| NBC Universal Media LLC                         | 5.150            | 04/30/20    | 500,000             | 499,542    | 567,688         |
| Nexeo Solutions LLC                             | 8.375            | 03/01/18    | 20,000              | 20,000     | 19,800          |
| Omnova Solutions, Inc.                          | 7.875            | 11/01/18    | 750,000             | 760,416    | 763,125         |
| Peabody Energy Corporation                      | 6.000            | 11/15/18    | 500,000             | 500,424    | 490,000         |
| Perry Ellis International, Inc.                 | 7.875            | 04/01/19    | 375,000             | 372,268    | 378,750         |
| Precision Drilling Corporation                  | 6.625            | 11/15/20    | 250,000             | 256,106    | 259,375         |
| Qwest Diagnostic, Inc.                          | 4.750            | 01/30/20    | 500,000             | 499,208    | 539,908         |
| Regency Energy Partners LP                      | 5.875            | 03/01/22    | 425,000             | 418,425    | 442,000         |
| Rosetta Resources Inc.                          | 5.875            | 06/01/22    | 500,000             | 500,000    | 498,125         |





## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Corporate Public Securities (A)   | Interest<br>Rate | Due<br>Date | Principal<br>Amount | Cost       | Market<br>Value |
|-----------------------------------|------------------|-------------|---------------------|------------|-----------------|
| R.R. Donnelley & Sons Company     | 6.000            | %04/01/24   | \$ 500,000          | \$ 500,000 | \$ 493,750      |
| Samson Investment Company         | 9.750            | 02/15/20    | 350,000             | 342,356    | 317,625         |
| ServiceMaster Company             | 7.000            | 08/15/20    | 325,000             | 325,000    | 338,000         |
| Sprint Nextel Corporation         | 6.000            | 12/01/16    | 500,000             | 506,697    | 525,937         |
| Steelcase, Inc.                   | 6.375            | 02/15/21    | 500,000             | 506,161    | 578,656         |
| Stone Energy Corporation          | 7.500            | 11/15/22    | 500,000             | 513,950    | 515,150         |
| Tech Data Corporation             | 3.750            | 09/21/17    | 500,000             | 504,599    | 517,850         |
| Tesoro Logistics LP               | 5.875            | 10/01/20    | 391,000             | 398,923    | 404,684         |
| Time Warner Cable, Inc.           | 5.000            | 02/01/20    | 500,000             | 493,895    | 555,623         |
| T-Mobile USA Inc.                 | 6.464            | 04/28/19    | 340,000             | 344,632    | 353,175         |
| T-Mobile USA Inc.                 | 6.731            | 04/28/22    | 210,000             | 207,550    | 214,725         |
| T-Mobile USA Inc.                 | 6.836            | 04/28/23    | 65,000              | 63,640     | 66,788          |
| Tronox Finance LLC                | 6.375            | 08/15/20    | 375,000             | 367,178    | 376,406         |
| Tyson Foods, Inc.                 | 4.500            | 06/15/22    | 500,000             | 513,598    | 529,917         |
| Unit Corporation                  | 6.625            | 05/15/21    | 500,000             | 494,960    | 501,250         |
| Weatherford International Limited | 4.500            | 04/15/22    | 500,000             | 517,722    | 520,557         |
| WPX Energy, Inc.                  | 5.250            | 09/15/24    | 425,000             | 425,000    | 412,250         |
| Xerium Technologies, Inc.         | 8.875            | 06/15/18    | 416,000             | 433,096    | 438,880         |
| Total Bonds                       |                  |             |                     | 41,667,436 | 42,787,685      |

## Babson Capital Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Corporate Public Securities (A)   | Shares              | Cost          | Market Value     |
|-----------------------------------|---------------------|---------------|------------------|
| Common Stock - 0.01%              |                     |               |                  |
| Nortek, Inc. (B)                  | 100                 | \$ 1          | \$ 7,450         |
| Total Common Stock                |                     | 1             | 7,450            |
| Total Corporate Public Securities |                     | \$ 41,975,812 | \$ 43,101,237    |
|                                   |                     |               |                  |
| Short-Term Securities:            | Interest Rate/Yield | Due Date      | Principal Amount |
| Commercial Paper - 4.14%          |                     |               |                  |
| Ameren Corporation                | 0.260               | % 10/10/14    | \$ 2,300,000     |
| Enbridge Inc.                     | 0.284               | 10/18/14      | 2,000,000        |
| Equifax, Inc.                     | 0.220               | 10/03/14      | 1,500,000        |
| Total Short-Term Securities       |                     |               | \$ 5,799,712     |
| Total Investments                 | 107.37              | %             | \$ 149,796,285   |
| Other Assets                      | 4.44                |               | 6,218,931        |
| Liabilities                       | (11.81              | )             | (16,554,031)     |
| Total Net Assets                  | 100.00              | %             | \$ 140,207,012   |

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

(B) Non-income producing security.

(C) Variable rate security; rate indicated is as of September 30, 2014.

(D) Defaulted security; interest not accrued.

(E) Illiquid security. As of September 30, 2014, the values of these securities amounted to \$83,562,794 or 59.6% of net assets.

^Effective yield at purchase

PIKPayment-in-kind

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2014

(Unaudited)

| Industry Classification:            | Fair Value/<br>Market Value |  | Fair Value/<br>Market Value |
|-------------------------------------|-----------------------------|--|-----------------------------|
| AEROSPACE - 2.77%                   |                             | BROADCASTING & ENTERTAINMENT - 1.08%         |                             |
| AAR Corporation                     | \$ 1,075,000                | Lamar Media Corporation                      | \$ 160,400                  |
| Alliant Techsystems Inc.            | 1,038,750                   | HOP Entertainment LLC                        | -                           |
| B E Aerospace, Inc.                 | 266,875                     | NBC Universal Media LLC                      | 567,688                     |
| Merex Holding Corporation           | 615,509                     | Numericable Group SA                         | 237,000                     |
| Whitcraft Holdings, Inc.            | 891,567                     | Time Warner Cable, Inc.                      | 555,623                     |
|                                     | 3,887,701                   | Sundance Investco LLC                        | -                           |
| AUTOMOBILE - 5.45%                  |                             |  | 1,520,711                   |
| Accuride Corp                       | 521,250                     | BUILDINGS & REAL ESTATE - 2.81%              |                             |
| American Axle & Manufacturing, Inc. | 119,400                     | ACP Cascade Holdings LLC                     | -                           |
|                                     |                             | Duke Realty Limited Partnership              | 505,619                     |
| Avis Budget Car Rental              | 412,500                     | Lennar Corporation                           | 362,813                     |
| CG Holdings Manufacturing Company   | 1,635,078                   | Masco Corporation                            | 402,500                     |
| Chrysler Group, LLC                 | 451,763                     | MasTec, Inc.                                 | 467,500                     |
| DPL Holding Corporation             | 1,693,597                   | Safway Group Holding LLC/Finance Corporation | 254,375                     |
| Ideal Tridon Holdings, Inc.         | 197,968                     | Sunrise Windows Holding Company              | 1,193,659                   |
| J A C Holding Enterprises, Inc.     | -                           | TruStile Doors, Inc.                         | 250,772                     |
| Johnson Controls, Inc.              | 529,966                     | William Lyon Homes                           | 506,250                     |
| K & N Parent, Inc.                  | 132,624                     |  | 3,943,488                   |
| Lear Corporation                    | 370,313                     | CHEMICAL, PLASTICS & RUBBER - 2.92%          |                             |
| Meritor, Inc.                       | 1,040,000                   | Capital Specialty Plastics, Inc.             | 787,507                     |
| Penske Corporation                  | 537,322                     | Cornerstone Chemical Company                 | 393,750                     |
|                                     | 7,641,781                   |  |                             |
| BEVERAGE, DRUG & FOOD - 6.74%       |                             | Nicoat Acquisitions LLC                      | 600,617                     |
| 1492 Acquisition LLC                | 794,263                     | Omnova Solutions, Inc.                       | 763,125                     |
| B&G Foods, Inc.                     | 419,100                     | Polytex Holdings LLC                         | 1,176,331                   |
| Eatem Holding Company               | 1,210,051                   | Tronox Finance LLC                           | 376,406                     |
| JBS USA Holdings, Inc.              | 398,437                     |  | 4,097,736                   |
|                                     |                             | CONSUMER PRODUCTS - 9.80%                    |                             |
| F F C Holding Corporation           | 236,937                     | AMS Holding LLC                              | 259,206                     |
| Gennx Novel Holding, Inc.           | 1,721,547                   |  |                             |
| Golden County Foods Holding, Inc.   | -                           | Baby Jogger Holdings LLC                     | 1,084,440                   |
| Hospitality Mints Holding Company   | 1,200,897                   | Bravo Sports Holding Corporation             | 1,331,437                   |
| JMH Investors LLC                   | 1,109,556                   | Clearwater Paper Corporation                 | 477,500                     |
| Kraft Foods, Inc.                   | 566,877                     | Custom Engineered Wheels, Inc.               | 439,512                     |

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|                               |           |  |           |
|-------------------------------|-----------|--|-----------|
| Spartan Foods Holding Company | 690,626   | gloProfessional Holdings, Inc.         | 1,321,505 |
| Specialty Commodities, Inc.   | 572,382   | GTI Holding Company                    | 838,795   |
| Tyson Foods, Inc.             | 529,917   | Handi Quilter Holding Company          | 225,203   |
|                               | 9,450,590 | HHI Group, LLC                         | 1,636,521 |
|                               |           | K N B Holdings Corporation             | 109,965   |
|                               |           | Manhattan Beachwear Holding<br>Company | 1,135,497 |

See Notes to Consolidated Financial Statements

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**CONSOLIDATED SCHEDULE OF INVESTMENTS** (CONTINUED)

September 30, 2014

(Unaudited)

| Industry Classification: (Continued)  | Fair Value/<br>Market Value | Fair Value/<br>Market Value         |            |
|---------------------------------------|-----------------------------|-------------------------------------|------------|
| NXP BV/NXP Funding LLC                | \$ 736,875                  | K P I Holdings, Inc.                | \$ 380,878 |
| Perry Ellis International, Inc.       | 378,750                     | LPC Holding Company                 | 147,625    |
| Prestige Brands Holdings, Inc.        | 611,000                     | Nortek, Inc.                        | 7,450      |
| R A J Manufacturing Holdings LLC      | 533,895                     | O E C Holding Corporation           | 469,249    |
| R.R. Donnelley & Sons Company         | 493,750                     | Strahman Holdings Inc               | 1,206,040  |
|                                       |                             | Truck Bodies & Equipment            |            |
| Tranzonic Holdings LLC                | 1,692,832                   | International                       | 1,245,368  |
| Xerium Technologies, Inc.             | 438,880                     |                                     | 11,555,860 |
|                                       | 13,745,563                  | DIVERSIFIED/CONGLOMERATE, SERVICE - |            |
| CONTAINERS, PACKAGING & GLASS - 2.22% |                             | 9.92%                               |            |
| Paperworks Industries, Inc.           | 508,750                     | ADT Corporation                     | 517,500    |
|                                       |                             | A S C Group, Inc.                   | 1,432,652  |
| P K C Holding Corporation             | 532,981                     | A W X Holdings                      |            |
|                                       |                             | Corporation                         | 210,000    |
| P P T Holdings LLC                    | 1,181,288                   | Advanced Technologies               |            |
| Rose City Holding Company             | 89,313                      | Holdings                            | 616,734    |
|                                       |                             | Anglogold Holdings PLC              | 602,466    |
| SMB Machinery Holdings, Inc.          | 716,422                     | Bank of America                     |            |
|                                       |                             | Corporation                         | 505,211    |
| Vitex Packaging Group, Inc.           | 78,922                      | Church Services Holding             |            |
|                                       |                             | Company                             | 496,424    |
|                                       | 3,107,676                   | Clough, Harbour and                 |            |
| DISTRIBUTION - 5.53%                  |                             | Associates                          | 211,819    |
| ARI Holding Corporation               | 2,063,822                   | Crane Rental Corporation            | 1,140,506  |
| Blue Wave Products, Inc.              | 764,325                     | ELT Holding Company                 | 216,563    |
| BP SCI LLC                            | 1,433,584                   | EPM Holding Company                 | 704,322    |
|                                       |                             | Equifax, Inc.                       | 2,000,716  |
| Signature Systems Holding Company     | 1,003,297                   | Hilton Worldwide                    |            |
| Stag Parkway Holding Company          | 1,349,582                   | Holdings, Inc.                      | 772,500    |
|                                       |                             | HVAC Holdings, Inc.                 | 1,330,606  |
| WP Supply Holding Corporation         | 1,133,109                   | Insurance Claims                    |            |
|                                       |                             | Management, Inc.                    | 325,945    |
|                                       | 7,747,719                   | Mail Communications                 |            |
| DIVERSIFIED/CONGLOMERATE,             |                             | Group, Inc.                         | 201,813    |
|                                       |                             | Nexeo Solutions LLC                 | 19,800     |
| MANUFACTURING - 8.24%                 |                             | Northwest Mailing                   |            |
| A H C Holding Company, Inc.           | 268,077                     | Services, Inc.                      | 359,415    |
| Advanced Manufacturing Enterprises    |                             | Pearlman Enterprises, Inc.          | 456,990    |
| LLC                                   | 1,263,890                   | Safety Infrastructure               |            |
|                                       |                             | Solutions                           | 1,001,306  |

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|                                       |           |                            |            |
|---------------------------------------|-----------|----------------------------|------------|
| Amsted Industries                     | 232,800   | ServiceMaster Company      | 338,000    |
| Arrow Tru-Line Holdings, Inc.         | 301,285   | Sirius XM Radio Inc.       | 450,563    |
| C D N T, Inc.                         | 605,527   |                            | 13,911,851 |
| CTP Transportation Products, LLC      | 330,925   | ELECTRONICS - 1.60%        |            |
| F G I Equity LLC                      | 239,124   | Anixter, Inc.              | 162,938    |
| G C Holdings                          | 110,776   | Belden Inc.                | 201,075    |
| Hartland Controls Holding Corporation | 1,450,385 | Connecticut Electric, Inc. | 856,108    |
| Hi-Rel Group LLC                      | 809,694   | Jabil Circuit, Inc.        | 503,125    |
| Janus Group Holdings LLC              | 1,949,892 | Tech Data Corporation      | 517,850    |
| J.B. Poindexter Co., Inc.             | 536,875   |                            | 2,241,096  |

See Notes to Consolidated Financial Statements

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**CONSOLIDATED SCHEDULE OF INVESTMENTS** (CONTINUED)September 30, 2014  
(Unaudited)

| Industry Classification:<br>(Continued)                  | Fair Value/<br>Market Value | Fair Value/<br>Market Value  |            |
|--|-----------------------------|--|------------|
| <b>FINANCIAL SERVICES -<br/>5.89%</b>                    |                             | <b>LEISURE, AMUSEMENT, ENTERTAINMENT -<br/>1.94%</b>                 |            |
| Ally Financial, Inc.                                     | \$ 780,000                  | Brunswick Corporation  | \$ 540,000 |
| Alta Mesa Financial Services                             | 776,250                     | CTM Holding, Inc.  | 1,615,145  |
| Braskem Finance Ltd.                                     | 390,000                     | International Game<br>Technology                                     | 565,619    |
| CIT Group, Inc.  | 992,500                     |  | 2,720,764  |
| GATX Corporation   | 512,517                     | <b>MACHINERY - 3.70%</b>   |            |
| General Electric Capital<br>Corporation                  | 572,989                     | ABC Industries, Inc.   | 745,344    |
| Icahn Enterprises L.P.                                   | 1,084,375                   | Arch Global Precision LLC  | 1,574,820  |
| Lazard Group LLC   | 522,710                     | E S P Holdco, Inc.   | 247,931    |
| LBC Tank Terminals<br>Holding Netherlands B.V.           | 706,095                     | Motion Controls Holdings   | 1,057,141  |
| Morgan Stanley   | 560,626                     | M V I Holding, Inc.  | -          |
| REVSpring, Inc.  | 1,366,098                   | NetShape Technologies, Inc.  | 1,167,746  |
|  | 8,264,160                   | Welltec A/S  | 388,125    |
| <b>HEALTHCARE, EDUCATION &amp; CHILDCARE -<br/>6.15%</b> |                             |  | 5,181,107  |
| American Hospice<br>Management Holding LLC               | 1,274,972                   | <b>MEDICAL DEVICES/BIOTECH - 0.67%</b>                               |            |
| CHG Alternative Education<br>Holding Company             | 1,061,008                   | ETEX Corporation   | -          |
| DaVita, Inc.   | 518,125                     | Mallinckrodt PLC   | 503,750    |
| GD Dental Services LLC                                   | 123,049                     | MedSystems Holdings LLC  | 218,052    |
| ERG Holding Company LLC                                  | 1,021,198                   | MicroGroup, Inc.   | -          |
| HCA Holdings, Inc.                                       | 488,750                     | Precision Wire Holding<br>Company                                    | 210,035    |
| Healthcare Direct Holding<br>Company                     | 827,793                     | TherOX, Inc.   | -          |
| HealthSouth Corporation                                  | 431,831                     |  | 931,837    |
| Lifepoint Hospitals, Inc.                                | 354,375                     | <b>MINING, STEEL, IRON<br/>&amp; NON-PRECIOUS<br/>METALS - 1.67%</b> |            |
| Qwest Diagnostic, Inc.                                   | 539,908                     | Alcoa, Inc.  | 661,296    |
| Strata/WLA Holding<br>Corporation                        | -                           | Coeurd' Alene Mines<br>Corporation                                   | 468,750    |
| Synteract Holdings<br>Corporation                        | 1,829,477                   | Commercial Metals Company  | 720,000    |
| Touchstone Health<br>Partnership                         | -                           |  |            |



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|  |           |                                  |           |
|--|-----------|----------------------------------|-----------|
| Wheaton Holding Corporation  | 154,674   | Peabody Energy Corporation       | 490,000   |
|  | 8,625,160 |                                  | 2,340,046 |
| HOME & OFFICE FURNISHINGS, HOUSEWARES, AND DURABLE CONSUMER PRODUCTS - 2.64% |           | NATURAL RESOURCES - 0.60%        |           |
| Connor Sport Court International, Inc.                                       | 1,283,103 | ArcelorMittal                    | 530,000   |
| Steelcase, Inc.  | 578,656   | Headwaters, Inc.                 | 317,963   |
| Transpac Holding Company   | -         |                                  | 847,963   |
| U-Line Corporation   | 531,473   | OIL & GAS - 13.21%               |           |
| U M A Enterprises, Inc.  | 1,300,738 | Access Midstream Partners, L.P.  | 511,250   |
| Wellborn Forest Holding Company  | -         | American Energy - Marcellus, LLC | 137,968   |
|  | 3,693,970 | Antero Resources Corporation     | 393,025   |
|  |           | Avantech Testing Services LLC    | 846,260   |
|  |           | Bill Barrett Corporation         | 496,250   |
|  |           | Bonanza Creek Energy, Inc.       | 480,000   |

See Notes to Consolidated Financial Statements

**CONSOLIDATED SCHEDULE OF INVESTMENTS** (CONTINUED)

September 30, 2014

(Unaudited)

| Industry Classification:<br>(Continued)  | Fair Value/<br>Market Value |   | Fair Value/<br>Market Value |
|--|-----------------------------|---|-----------------------------|
|  |                             | <b>TELECOMMUNICATIONS -</b>                 |                             |
| California Resources Corporation         | \$ 493,200                  | 2.62%                                       |                             |
| Calumet Specialty Products Partners L.P. | 507,500                     | All Current Holding Company                 | \$ 245,316                  |
| Cimarex Energy Co.                       | 537,500                     | CCO Holdings Capital Corporation            | 986,875                     |
| CITGO Petroleum Corporation              | 442,000                     | Centurytel, Inc.                            | 503,750                     |
| Continental Resources, Inc.              | 527,500                     | Sprint Corporation                          | 156,163                     |
| CVR Refining LLC                         | 357,000                     | Sprint Nextel Corporation                   | 525,937                     |
| Enbridge Inc.                            | 1,999,891                   | T-Mobile USA Inc.                           | 634,688                     |
| Enscoc PLC                               | 618,040                     | Univision Communications                    | 162,000                     |
| Forum Energy Technologies                | 164,400                     | West Corporation                            | 461,250                     |
| Hercules Offshore, Inc.                  | 603,750                     |   | 3,675,979                   |
| Hilcorp Energy Company                   | 664,500                     | <b>TRANSPORTATION - 2.79%</b>               |                             |
| Hornbeck Offshore Services, Inc.         | 475,000                     | CHC Helicopter SA                           | 958,500                     |
| Jupiter Resources Inc.                   | 443,750                     | Hertz Corporation                           | 226,875                     |
| Linn Energy, LLC                         | 516,875                     | MNX Holding Company                         | 1,155,158                   |
| MEG Energy Corporation                   | 1,021,875                   | NABCO, Inc.                                 | -                           |
| Niska Gas Storage Partners LLC           | 437,500                     | Topaz Marine S.A.                           | 517,600                     |
| Petroplex Inv Holdings LLC               | 1,457,681                   | VP Holding Company                          | 833,660                     |
| Precision Drilling Corporation           | 259,375                     | XPO Logistics, Inc.                         | 216,825                     |
| Regency Energy Partners LP               | 442,000                     |   | 3,908,618                   |
| RKI Inc.                                 | 516,250                     | <b>UTILITIES - 2.24%</b>                    |                             |
| Rosetta Resources Inc.                   | 498,125                     | Ameren Corporation                          | 2,299,839                   |
| Samson Investment Company                | 317,625                     | Calpine Corporation                         | 330,225                     |
| Stone Energy Corporation                 | 515,150                     | NRG Energy, Inc.                            | 512,813                     |
| Tesoro Logistics LP                      | 404,684                     |   | 3,142,877                   |
| Unit Corporation                         | 501,250                     | <b>WASTE MANAGEMENT / POLLUTION - 2.01%</b> |                             |
| Weatherford International Limited        | 520,557                     | Aquilex Holdings LLC                        | 168,134                     |
| WPX Energy, Inc.                         | 412,250                     | MES Partners, Inc.                          | 1,288,079                   |
|  | 18,519,981                  | Terra Renewal LLC                           | 350,860                     |
| <b>PHARMACEUTICALS - 1.36%</b>           |                             | Torrent Group Holdings, Inc.                | 1,009,145                   |
| CorePharma LLC                           | 232,303                     |   | 2,816,218                   |
| Endo Finance LLC                         | 477,500                     |   |                             |
| Forest Laboratories, Inc.                | 928,876                     | Total Investments - 107.37%                 | \$ 150,542,112              |
| Valeant Pharmaceuticals International    | 261,250                     |   |                             |
|  | 1,899,929                   |   |                             |
| <b>TECHNOLOGY - 0.80%</b>                |                             |   |                             |

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|                           |           |
|---------------------------|-----------|
| First Data Corporation    | 263,150   |
| Sencore Holding Company   | 280,818   |
| Smart Source Holdings LLC | 577,763   |
|                           | 1,121,731 |

See Notes to Consolidated Financial Statements

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Fair Values Hierarchy

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

Level 1 – quoted prices in active markets for identical securities

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

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

The following is a summary of the inputs used to value the Trust's net assets as of September 30, 2014:

| Assets                       | Total                | Level 1        | Level 2             | Level 3             |
|------------------------------|----------------------|----------------|---------------------|---------------------|
| <b>Restricted Securities</b> |                      |                |                     |                     |
| Corporate Bonds              | 77,712,473           | -              | 18,078,369          | 59,634,104          |
| Common Stock - U.S.          | 9,755,616            | -              | -                   | 9,755,616           |
| Preferred Stock              | 5,617,101            | -              | -                   | 5,617,101           |
| Partnerships and LLCs        | 8,555,973            | -              | -                   | 8,555,973           |
| <b>Public Securities</b>     |                      |                |                     |                     |
| Bank Loans                   | 306,102              | -              | 306,102             | -                   |
| Corporate Bonds              | 42,787,685           | -              | 42,787,685          | -                   |
| Common Stock - U.S.          | 7,450                | 7,450          | -                   | -                   |
| Short-term Securities        | 5,799,712            | -              | 5,799,712           | -                   |
| <b>Total</b>                 | <b>\$150,542,112</b> | <b>\$7,450</b> | <b>\$66,971,868</b> | <b>\$83,562,794</b> |

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

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

| Assets                       | Beginning balance at 12/31/2013 | Included in earnings | Purchases    | Sales         | Prepayments   | Transfers in and / or out of Level 3 | Ending balance at 09/30/2014 |
|------------------------------|---------------------------------|----------------------|--------------|---------------|---------------|--------------------------------------|------------------------------|
| <b>Restricted Securities</b> |                                 |                      |              |               |               |                                      |                              |
| Corporate Bonds              | \$56,939,587                    | \$2,829,912          | \$10,875,152 | \$(3,318,338) | \$(7,692,209) | \$-                                  | \$59,634,104                 |
| Common Stock - U.S.          | 9,668,741                       | 1,918,502            | 717,965      | (957,463)     | -             | -                                    | 11,347,745                   |
| Preferred Stock              | 6,926,282                       | 489,628              | (123,526)    | (1,675,283)   | -             | -                                    | 5,617,101                    |
| Partnerships and LLCs        | 9,491,997                       | 46,456               | 1,637,511    | (2,619,991)   | -             | -                                    | 8,555,973                    |

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Public  
Securities

|              |              |             |              |                |               |     |              |
|--------------|--------------|-------------|--------------|----------------|---------------|-----|--------------|
| Common Stock | -            | -           | -            | -              | -             | -   | -            |
|              | \$83,026,607 | \$5,436,662 | \$13,371,633 | \$(10,579,899) | \$(7,692,209) | \$- | \$83,562,794 |

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ITEM 2. CONTROLS AND PROCEDURES.

(a) The principal executive officer and principal financial officer of the Registrant evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as of a date within 90 days of the filing date of this report and based on that evaluation have concluded that such disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by the Registrant on Form N-Q is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There have been changes in the Registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act)("internal controls") that occurred during the Registrant's last fiscal quarter. The Registrant's investment adviser, Babson Capital Management LLC, who maintains the Registrant's internal controls, revised its internal controls to oversee State Street Bank & Trust who now provides certain administrative and accounting services to the Registrant.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) are attached hereto as an exhibit.

SIGNATURES

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

(Registrant) Babson Capital Participation Investors

By (Signature and Title)\*

/s/ Michael L. Klofas

Michael L. Klofas, President

Date November 25, 2014

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

By (Signature and Title)\*

/s/ Michael L. Klofas

Michael L. Klofas, President

Date November 25, 2014

By (Signature and Title)\*

/s/ James M. Roy

James M. Roy, Vice President and  
Chief Financial Officer

Date November 25, 2014

\* PRINT THE NAME AND TITLE OF EACH SIGNING OFFICER UNDER HIS OR HER SIGNATURE.





