

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-30D

November 30, 2015

Babson Capital  
Participation Investors

Report for the  
Nine Months Ended September 30, 2015

**Adviser**

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

**Transfer Agent & Registrar**

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

**Independent Registered Public Accounting Firm**

KPMG LLP  
Boston, Massachusetts 02110

**Internet Website**

[www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv)

**Counsel to the Trust**

Ropes & Gray LLP  
Boston, Massachusetts 02110

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

**Custodian**

State Street Bank and Trust Company  
Boston, Massachusetts 02116

**Investment Objective and Policy**

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

The Trust’s investment objective is to maximize total return by providing a high level of current income, the potential for growth of income, and capital appreciation. The Trust’s principal investments are privately placed, below-investment grade, long-term debt obligations purchased directly from their issuers, which tend to be smaller companies. The Trust will also invest in publicly traded debt securities (including high yield securities) again with an emphasis on those with equity features, and in convertible preferred stocks and, subject to certain limitations, readily marketable equity securities. Below-investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest and repay principal. The Trust is prohibited from purchasing below-investment grade securities if, after giving effect to the purchase, more than 75% of the Trust’s total assets

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

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital. A description of Babson Capital’s proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 866-399-1516; (2) on the Trust’s website: <http://www.babsoncapital.com/mpv>; and (3) on the SEC’s website at <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (1) on the Trust’s website: <http://www.babsoncapital.com/mpv>; and (2) on the SEC’s website at <http://www.sec.gov>.

**Legal Matters**

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

would be invested in below-investment grade securities, which are securities that are rated, at the time of purchase, BB or B by S&P or Ba or B by Moody's, or, if unrated, are believed by Babson Capital Management LLC ("Babson Capital") to be of an equivalent quality. In addition, the Trust will not invest in any debt security that is rated, at the time of acquisition, below B by S&P or Moody's, or if unrated, is believed by Babson Capital to be of an equivalent quality. In addition, the Trust may invest in high quality, readily marketable securities.

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

#### Form N-Q

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

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

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

Babson Capital Participation Investors

TO OUR SHAREHOLDERS

October 31, 2015

We are pleased to present the September 30, 2015 Quarterly Report of Babson Capital Participation Investors (the "Trust").

The Board of Trustees declared a quarterly dividend of \$0.27 per share, payable on November 13, 2015 to shareholders of record on November 4, 2014. The Trust paid a \$0.27 per share dividend for the preceding quarter. The Trust earned \$0.20 per share of net investment income, including \$0.03 per share of non-recurring charges, for the third quarter of 2015, compared to \$0.25 per share, including \$0.02 per share of non-recurring income, in the previous quarter.

During the third quarter, the net assets of the Trust decreased to \$140,680,541 or \$13.64 per share, compared to \$143,105,029 or \$13.87 per share on June 30, 2015. This translates into a 0.3% total return for the quarter, based on the change in the Trust's net assets assuming the reinvestment of all dividends. Longer term, the Trust returned 9.1%, 12.0%, 12.1%, 11.2% and 12.5% for the 1-, 3-, 5-, 10-, and 25-year time periods, respectively, based on the change in the Trust's net assets assuming the reinvestment of all dividends.

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

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

After two strong quarters of new investment activity for the Trust, new deal closings in the third quarter were comparatively lower. Middle market merger and acquisition activity, a key driver of deal flow for the Trust, was slower in the third quarter than it had been in the prior two quarters. This sluggishness persisted into the fourth quarter, although we believe recent signs indicate a pick up as we approach year-end. Overall, we are pleased with the amount of new investment activity for the Trust in 2015. We expect to at least match last year's level of new deal closings. The dark cloud on the horizon, however, continues to be the high purchase prices and leverage levels that are common in buyout transactions today. Average purchase price multiples for small companies, which had been at their highest levels in the past 15 years, went even higher in the third quarter. Leverage multiples have also been worrisomely high and, in the third quarter, actually exceeded the peaks we saw back in 2007. Though we are actively making new investments on behalf of the Trust in this market, we do so cautiously and with discipline, consistent with our longstanding investment philosophy of seeking to take prudent levels of risk and getting paid appropriately for the risk taken. We are not willing to provide financial leverage at levels that we believe are imprudent. This approach has served us well over the long term and through all kinds of market cycles.

The condition of the Trust's existing portfolio remained solid through the third quarter. We once again had more credit upgrades than downgrades during the quarter. The number of companies on our watch list and in default continues to

be at or near the lowest level we have seen over the last five years. We exited six investments during the quarter, and benefited from the partial sale of our holdings in one additional company. We continue to have a backlog of portfolio companies that are in the process of being sold, with two companies already having been sold in October and a few more expected to close by year-end. We had three portfolio companies fully or partially prepay their debt instruments held by the Trust during the quarter. This lower level of prepayment activity is welcome after the unprecedented levels of prepayments we experienced in 2013 and early 2014.

The Trust was able to maintain its \$0.27 per share quarterly dividend for the third quarter even though net investment income per share, excluding non-recurring items, was once again below the dividend rate. Net investment income per share from recurring sources has been below the dividend rate for every quarter since the second quarter of 2012. As we have discussed in prior reports, net investment income has been down due to the considerable reduction in the number of private debt securities in the portfolio resulting from the high level of exit and prepayment activity that occurred in 2013 and 2014. Despite several strong quarters of new investment activity, we have not been able to grow

(Continued)

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

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

Sincerely,

Michael L. Klofas  
President

Portfolio Composition as of 9/30/2015\*

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

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

Babson Capital Participation Investors  
 CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES  
 September 30, 2015  
 (Unaudited)

Assets:

Investments

(See Consolidated Schedule of Investments)

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

Liabilities:

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

Net Assets:

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

See Notes to Consolidated Financial Statements

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## CONSOLIDATED STATEMENT OF OPERATIONS

For the nine months ended September 30, 2015

(Unaudited)

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

See Notes to Consolidated Financial Statements



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

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

See Notes to Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

See Notes to Consolidated Financial Statements

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

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

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

Senior borrowings:

Total principal amount (in millions)	\$15	\$15	\$15	\$15	\$15
Asset coverage per \$1,000 of indebtedness	\$10,379	\$10,171	\$9,761	\$9,525	\$9,021

See Notes to Consolidated Financial Statements

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## CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2015

(Unaudited)

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

ABC Industries, Inc.

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

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

ACP Cascade Holdings LLC

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

Limited Liability Company Unit

Class B (B)	32 uts.	11/09/12	—	—
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Advanced Manufacturing

Enterprises LLC

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

Limited Liability Company Unit

(B)	1,945 uts.	*	207,910	155,962
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\* 12/07/12 and 07/11/13.

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

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

AMS Holding LLC

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

Limited Liability Company Unit

Class A Preferred (B)	114 uts.	10/04/12	113,636	302,984
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Animal Supply Company

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

9.5% Second Lien Term Loan due

09/17/2019	\$ 1,725,000	03/30/15	1,702,065	1,654,747
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ARI Holding Corporation

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

11.5% Senior Subordinated Note due

02/01/2020	\$ 1,702,445	*	1,679,959	1,706,073
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Limited Partnership Interest	524 uts.	08/01/14	523,950	558,806
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* 05/21/13 and 08/01/14.			2,203,909	2,264,879
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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

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

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BP SCI LLC

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

Limited Liability Company Unit

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

CG Holdings Manufacturing

Company

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

13% Senior Subordinated Note

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

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

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

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

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Preferred Stock (B)	147 shs.	12/02/08	146,594	526,758
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Compass Chemical International LLC

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

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



## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Connecticut Electric, Inc.</b>				
A supplier and distributor of electrical products sold into the retail and wholesale markets.				
<b>Limited Liability Company Unit</b>				
Class A (B)	82,613 uts.	01/12/07	\$ 82,613	\$ 87,072
Limited Liability Company Unit Class C (B)	59,756 uts.	01/12/07	59,756	68,585
Limited Liability Company Unit Class D (B)	671,525 uts.	05/03/10	—	821,122
Limited Liability Company Unit Class E (B)	1,102 uts.	05/03/10	—	25,080
			142,369	1,001,859
<b>CTM Holding, Inc.</b>				
A leading owner and operator of coin-operated children's rides, penny presses and candy kiosks in the U.S.				
<b>15% Senior Subordinated Note due</b>				
11/22/2019	\$ 1,249,324	11/22/13	1,230,877	1,222,649
<b>Common Stock (B)</b>				
	78 shs.	11/22/13	443,182	374,698
			1,674,059	1,597,347
<b>Custom Engineered Wheels, Inc.</b>				
A manufacturer of custom engineered, non-pneumatic plastic wheels and plastic tread cap tires used primarily for lawn and garden products and wheelchairs.				
Preferred Stock PIK (B)	156 shs.	10/26/09	156,468	252,598
Preferred Stock Series A (B)	114 shs.	10/27/09	104,374	184,553
Common Stock (B)	38 shs.	10/26/09	38,244	145,835
<b>Warrant, exercisable until 2016, to purchase</b>				
common stock at \$.01 per share (B)	28 shs.	10/27/09	25,735	106,554
			324,821	689,540
<b>DPL Holding Corporation</b>				
A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.				
<b>14% Senior Subordinated Note due</b>				
05/04/2019	\$ 1,369,381	05/04/12	1,353,109	1,369,381
Preferred Stock (B)	25 shs.	05/04/12	252,434	312,213
Common Stock (B)	25 shs.	05/04/12	28,048	45,802
			1,633,591	1,727,396

Dunn Paper

A provider of specialty paper for niche product applications.

Preferred Stock (B)	261 shs.	12/30/14	261,364	447,916
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E S P Holdco, Inc.

A manufacturer of power protection technology for commercial office equipment, primarily supplying the office equipment dealer network.

Common Stock (B)	349 shs.	01/08/08	174,701	322,150
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Babson Capital Participation Investors  
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
September 30, 2015  
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Eatem Holding Company</b>				
A developer and manufacturer of savory flavor systems for soups, sauces, gravies, and other products produced by food manufacturers for retail and foodservice end products.				
Common Stock (B)	50 shs.	02/01/10	\$ 50,000	\$ 154,410
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	119 shs.	02/01/10	107,100 157,100	368,175 522,585
<b>ECG Consulting Group</b>				
A healthcare management consulting company who provides strategic, financial, operational, and technology related consulting services to healthcare providers.				
11.75% Senior Subordinated Note due 11/21/2020	\$ 1,302,098	11/21/14	1,275,674	1,341,161
Limited Liability Company Unit (B)	230 uts.	11/19/14	71,875 1,347,549	73,246 1,414,407
<b>EPM Holding Company</b>				
A provider of non-discretionary regulatory driven engineering services that support mission critical safety and operational aspects of nuclear power plants.				
14.5% Senior Subordinated Note due 07/26/2019	\$ 292,129	07/26/13	287,901	295,050
Common Stock (B)	1,535 shs.	07/26/13	153,474 441,375	460,427 755,477
<b>ERG Holding Company LLC</b>				
A provider of inpatient and outpatient clinical trial services to pharmaceutical companies and contract research organizations.				
13.5% Senior Subordinated Note due 10/04/2019	\$ 951,373	04/04/14	936,509	945,288
Common Stock (B)	31 shs.	04/04/14	77,533 1,014,042	83,727 1,029,015
<b>F F C Holding Corporation</b>				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
Limited Liability Company Unit Preferred (B)	171 uts.	09/27/10	58,345	71,350

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Limited Liability Company Unit Common (B)	171 uts.	09/27/10	17,073 75,418	152,084 223,434
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F G I Equity LLC

A manufacturer of a broad range of filters and related products that are used in commercial, light industrial, healthcare, gas turbine, nuclear, laboratory, clean room, hotel, educational system, and food processing settings.

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

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

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

GlynnDevins Acquisition Corporation

A marketing communications agency that services senior living facilities.

13% Senior Subordinated Note due

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

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

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

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



## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Hi-Rel Group LLC</b>				
A manufacturer and distributor of precision metal piece parts for the microelectronic packaging industry, serving the aerospace/defense, telecommunications, and medical end markets.				
12% Senior Subordinated Note due 03/15/2018	\$ 703,125	04/15/13	\$ 675,671	\$ 694,028
Limited Liability Company Unit (B)	234 uts.	04/15/13	234,375	185,445
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	37,177 shs.	04/15/13	32,344	29,414
			942,390	908,887
<b>HOP Entertainment LLC</b>				
A provider of post production equipment and services to producers of television shows and motion pictures.				
Limited Liability Company Unit Class F (B)	47 uts.	10/14/11	—	—
Limited Liability Company Unit Class G (B)	114 uts.	10/14/11	—	—
Limited Liability Company Unit Class H (B)	47 uts.	10/14/11	—	—
Limited Liability Company Unit Class I (B)	47 uts.	10/14/11	—	—
<b>Hospitality Mints Holding Company</b>				
A manufacturer of individually-wrapped imprinted promotional mints.				
12% Senior Subordinated Note due 08/19/2016	\$ 1,098,837	08/19/08	1,083,230	1,074,325
Common Stock (B)	251 shs.	08/19/08	251,163	34,538
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	65 shs.	08/19/08	60,233	8,927
			1,394,626	1,117,790
<b>HVAC Holdings, Inc.</b>				
A provider of integrated energy efficiency services and maintenance programs for HVAC systems.				
12.5% Senior Subordinated Note due 09/27/2019	\$ 1,196,383	09/27/12	1,180,873	1,187,141

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Limited Liability Company Unit Class A Preferred (B)	1,127 uts.	09/27/12	112,726	149,446
Limited Liability Company Unit Class A Common (B)	910 uts.	09/27/12	910 1,294,509	21,413 1,358,000

Ideal Tridon Holdings, Inc.

A designer and manufacturer of clamps and couplings used in automotive and industrial end markets.

Common Stock (B)	93 shs.	10/27/11	92,854	200,893
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Impact Confections

An independent manufacturer and marketer of confectionery products including Warheads® brand sour candies, Melster® brand classic candies, and co-manufactured/private label classic candies.

13% Senior Subordinated Note due 11/04/2020	\$ 1,073,266	11/10/14	1,054,194	1,066,558
Common Stock (B)	2,300 shs.	11/10/14	230,000 1,284,194	185,713 1,252,271

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

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Insurance Claims Management, 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	\$ 205,977
<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	241,623
Preferred Stock B (B)	0.06 shs.	12/20/10	—	88
Common Stock	33 shs.	12/20/10	1,667	—
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	12 shs.	12/20/10	105,643	72,740
			272,310	314,451
<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 due 06/11/2019	\$ 1,342,391	12/11/13	1,322,227	1,369,239
Limited Liability Company Unit Class A (B)	283 uts.	12/11/13	139,258	611,794
			1,461,485	1,981,033
<b>JMH Investors LLC</b>				
A developer and manufacturer of custom formulations for a wide variety of foods.				
14.25% Senior Subordinated Note due 12/05/2019	\$ 1,100,114	12/05/12	1,085,397	934,220
Limited Liability Company Unit (B)	1,038,805 uts.	12/05/12	232,207	26,801
			1,317,604	961,021
<b>K &amp; N Parent, Inc.</b>				
A manufacturer and supplier of automotive aftermarket performance air filters and intake systems.				
Preferred Stock Series A	102 shs.	12/23/11	—	—
Preferred Stock Series B	29 shs.	12/23/11	—	—
Common Stock	163 shs.	*	6,522	134,458
* 12/23/11 and 06/30/14.			6,522	134,458

K N B Holdings Corporation

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

Common Stock (B)	71,053 shs.	05/24/06	71,053	80,752
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	43,600 shs.	05/25/06	37,871 108,924	49,551 130,303

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>K P I Holdings, Inc.</b>				
The largest player in the U.S. non-automotive, non-ferrous die casting segment.				
Limited Liability Company Unit Class				
C Preferred (B)	40 uts.	06/30/15	\$ —	\$ 70,502
Common Stock (B)	353 shs.	07/15/08	285,619	382,660
			285,619	453,162
<b>Master Cutlery LLC</b>				
A designer and marketer of a wide assortment of knives and swords.				
13% Senior Subordinated Note due				
04/17/2020	\$ 883,644	04/17/15	873,450	874,110
Limited Liability Company Unit (B)	5 uts.	04/17/15	678,329	698,150
			1,551,779	1,572,260
<b>Mail Communications Group, Inc.</b>				
A provider of mail processing and handling services, lettershop services, and commercial printing services.				
Limited Liability Company Unit	12,764 uts.	*	166,481	328,747
Warrant, exercisable until 2017, to purchase				
common stock at \$.01 per share (B)	1,787 shs.	05/04/07	22,781	46,027
* 05/04/07 and 01/02/08.			189,262	374,774
<b>Manhattan Beachwear Holding Company</b>				
A designer and distributor of women's swimwear.				
12.5% Senior Subordinated Note due				
01/15/2018	\$ 419,971	01/15/10	397,744	402,984
15% Senior Subordinated Note due				
01/15/2018	\$ 115,973	10/05/10	115,056	106,336
Common Stock (B)	35 shs.	10/05/10	35,400	40,319
Common Stock Class B (B)	118 shs.	01/15/10	117,647	133,996
Warrant, exercisable until 2019, to purchase				
common stock at \$.01 per share (B)	104 shs.	10/05/10	94,579	118,587
			760,426	802,222

MC Sign Holdings LLC

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A provider of sign and lighting services nationwide.

11.75% Senior Subordinated Note due 09/15/2021	\$ 761,000	09/22/15	745,824	759,388
Limited Liability Company Unit Class B (B)	101,500 uts.	09/22/15	101,500 847,324	101,500 860,888

MedSystems Holdings LLC

A manufacturer of enteral feeding products, such as feeding tubes and other products related to assisted feeding.

Preferred Unit (B)	66 uts.	08/29/08	46,152	90,731
Common Unit Class A (B)	671 uts.	08/29/08	671	153,761
Common Unit Class B (B)	263 uts.	08/29/08	63,564 110,387	60,320 304,812

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

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Merex Holding Corporation</b>				
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.				
16% Senior Subordinated Note due 10/30/2019	\$ 454,295	09/22/11	\$ 448,613	\$ 435,732
15% Senior Subordinated Note due 04/30/2022	\$ 23,839	08/18/15	23,839	19,071
Limited Liability Company Unit Series A (B)	228 uts.	05/07/14	14,760	—
Limited Liability Company Unit Series B (B)	155,945 uts.	09/22/11	155,945	—
			643,157	454,803
<b>MES Partners, Inc.</b>				
An industrial service business offering an array of cleaning and environmental services to the Gulf Coast region of the U.S.				
12% Senior Subordinated Note due 09/30/2021	\$ 1,092,906	09/30/14	1,073,354	1,095,223
Common Stock Class B (B)	219,545 shs.	09/30/14	219,545	285,935
			1,292,899	1,381,158
<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 11/02/2019	\$ 1,277,508	11/02/12	1,260,679	1,280,655
Common Stock (B)	45 shs.	11/02/12	44,643	33,989
			1,305,322	1,314,644
<b>Money Mailer</b>				
A leading provider of hyperlocal shared direct mail advertising as well as interactive and online advertising solutions through its nationwide production and distribution network.				
Preferred Stock	1,332,865 shs.	12/10/14	1,312,872	1,332,865
<b>Motion Controls Holdings</b>				
A manufacturer of high performance mechanical motion control and linkage products.				
	\$ 987,301	11/30/10	978,265	987,301

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14.25% Senior Subordinated Note due  
08/15/2020

Limited Liability Company Unit Class

B-1 (B)	75,000 uts.	11/30/10	—	88,912
Limited Liability Company Unit Class				
B-2 (B)	6,801 uts.	11/30/10	—	8,063
			978,265	1,084,276

NABCO, Inc.

A producer of explosive containment vessels in the United States.

Common Stock (B)	429 shs.	12/20/12	306,091	161,437
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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
NetShape Technologies, Inc.				
A manufacturer of powder metal and metal injection molded precision components used in industrial, consumer, and other applications.				
12% Senior Subordinated Note due 06/10/2020	\$ 810,000	02/02/07	\$ 809,450	\$ 780,743
Limited Partnership Interest of Saw Mill PCG Partners LLC (B)	1.38% int.	02/01/07	588,077	—
Limited Liability Company Unit Class D of Saw Mill PCG Partners LLC (B)	9 uts.	*	8,873	—
Limited Liability Company Unit Class D-1 of Saw Mill PCG Partners LLC (B)	121 uts.	09/30/09	121,160	—
Limited Liability Company Unit Class D-2 of Saw Mill PCG Partners LLC (B)	68 uts.	04/29/11	34,547	43,131
Limited Liability Company Unit Class D-3 of Saw Mill PCG Partners LLC (B)	104 uts.	12/10/14	103,904	105,043
* 12/18/08 and 09/30/09.			1,666,011	928,917
Northwest Mailing Services, Inc.				
A producer of promotional materials for companies that use direct mail as part of their customer retention and loyalty programs.				
Limited Partnership Interest (B)	1,740 uts.	*	174,006	190,601
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	2,605 shs.	*	260,479	285,321
* 07/09/09 and 08/09/10.			434,485	475,922
O E C Holding Corporation				
A provider of elevator maintenance, repair and modernization services.				
Preferred Stock Series A (B)	554 shs.	06/04/10	55,354	86,545
Preferred Stock Series B (B)	311 shs.	06/04/10	31,125	47,137
Common Stock (B)	344 shs.	06/04/10	344	12,153

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			86,823	145,835
Pearlman Enterprises, Inc.				
A developer and distributor of tools, equipment and supplies to the natural and engineered stone industry.				
Preferred Stock Series A (B)	1,236 shs.	05/22/09	59,034	1,856,297
Preferred Stock Series B (B)	7,059 shs.	05/22/09	290,050	100,740
Common Stock (B)	21,462 shs.	05/22/09	993,816	—
			1,342,900	1,957,037
Petroplex Inv Holdings LLC				
A leading provider of acidizing services to E&P customers in the Permian Basin.				
Limited Liability Company Unit	156,250 uts.	11/29/12	156,250	163,312

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

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Polytex Holdings LLC</b>				
A manufacturer of water based inks and related products serving primarily the wall covering market.				
13% Senior Subordinated Note due 01/31/2020	\$ 1,048,824	07/31/14	\$ 1,031,332	\$ 1,032,821
Limited Liability Company Unit	148,096 uts.	07/31/14	148,096	127,274
			1,179,428	1,160,095
<b>Power Stop Holdings LLC</b>				
A supplier of performance upgrade aftermarket brake products.				
11% Senior Subordinated Note due 05/29/2022	\$ 1,610,100	05/29/15	1,579,454	1,617,654
Limited Liability Company Unit Preferred (B)	1,149 uts.	05/29/15	114,900	115,907
Limited Liability Company Unit Common (B)	1,149 uts.	05/29/15	—	6,520
			1,694,354	1,740,081
<b>PPC Event Services</b>				
A special event equipment rental business.				
14% Senior Subordinated Note due 05/20/2020	\$ 1,138,153	11/20/14	1,118,004	1,163,044
Limited Liability Company Unit (B)	3,450 uts.	11/20/14	172,500	338,921
			1,290,504	1,501,965
<b>R A J Manufacturing Holdings LLC</b>				
A designer and manufacturer of women's swimwear sold under a variety of licensed brand names.				
8% Senior Subordinated Note due 01/02/2017	\$ 49,908	01/02/14	217,411	47,412
Limited Liability Company Unit (B)	1,497 uts.	12/15/06	149,723	—
Limited Liability Company Unit Class B Common (B)	6 uts.	01/02/14	219,593	—
Limited Liability Company Unit Series 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	—
			1,030,643	421,720

Randy's Worldwide Automotive

A designer and distributor of automotive aftermarket parts.

11.5% Senior Subordinated Note due

05/12/2021	\$ 1,135,898	05/12/15	1,114,637	1,122,500
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Common Stock (B)	118 shs.	05/12/15	118,476	105,023
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			1,233,113	1,227,523
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REVSpring, Inc.

A provider of accounts receivable management and revenue cycle management services to customers in the healthcare, financial and utility industries.

Limited Liability Company Unit

Class A (B)	13,548 uts.	*	135,477	252,680
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\* 10/21/11 and 08/03/12.

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Safety Infrastructure Solutions</b>				
A provider of trench safety equipment to a diverse customer base across multiple end markets in Texas and the Southwestern United States.				
Preferred Stock (B)	2,098 shs.	03/30/12	\$ 83,920	\$ 112,824
Common Stock (B)	983 shs.	03/30/12	9,830	106,742
			93,750	219,566
<b>Signature Systems Holding Company</b>				
A seller and installer of a variety of modular surfaces, industrial matting and related products used for ground protection.				
Common Stock (B)	76 shs.	03/15/13	75,509	249,213
Warrant, exercisable until 2023, to purchase common stock A at \$.01 per share (B)	31 shs.	03/15/13	28,316	101,817
			103,825	351,030
<b>Smart Source Holdings LLC</b>				
A short-term computer rental company.				
Limited Liability Company Unit (B)	328 uts.	*	261,262	344,923
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	83 shs.	*	67,467	87,369
* 08/31/07 and 03/06/08.			328,729	432,292
<b>SMB Machinery Holdings, Inc.</b>				
A reseller of used, rebuilt and refurbished packaging and processing equipment, primarily serving the bottling and food manufacturing industries.				
14% Senior Subordinated Note due 10/18/2019				
(D)	\$ 738,694	10/18/13	726,147	—
Common Stock (B)	841 shs.	10/18/13	84,100	—
			810,247	—
<b>Strahman Holdings Inc</b>				
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 06/13/2019	\$ 1,059,783	12/13/13	1,042,206	1,066,453
Preferred Stock Series A (B)	158,967 shs.	12/13/13	158,967	251,279
Preferred Stock Series A-2 (B)	26,543 shs.	09/10/15	29,994	41,956
			1,231,167	1,359,688

Sunvair Aerospace Group Inc.

An aerospace maintenance, repair, and overhaul provider servicing landing gears on narrow body aircraft.

12% Senior Subordinated Note due 07/31/2021	\$ 1,215,600	07/31/15	1,191,963	1,209,063
Common Stock (B)	68 shs.	07/31/15	78,150	74,245
			1,270,113	1,283,308

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

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>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 12/14/2017	\$ 1,059,836	12/14/10	\$ 1,035,344	\$ 1,059,836
14% Senior Subordinated PIK Note due 12/14/2017	\$ 110,257	08/17/12	108,461	109,394
Common Stock (B)	38 shs.	12/14/10	38,168	41,315
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	37 shs.	12/14/10	37,249	40,319
			1,219,222	1,250,864
<b>Synteract Holdings Corporation</b>				
A provider of outsourced clinical trial management services to pharmaceutical and biotechnology companies.				
16% Senior Subordinated Note due 02/26/2019	\$ 2,407,441	09/02/08	2,361,276	2,407,441
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	—
			2,453,245	2,407,441
<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 12/31/2018 (D)	\$ 1,062,258	12/05/13	—	1,009,145
15% Senior Subordinated Note due 12/05/2020 (D)	\$ 46,798	12/05/13	219,203	42,118
Warrant, exercisable until 2023, to purchase	28,079 shs.	12/05/13	—	—

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

219,203 1,051,263

Transpac Holding Company

A designer, importer, and wholesaler of home décor and seasonal gift products.

8% Senior Subordinated Note

due 10/31/2015 (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 —

Tranzonic Holdings LLC

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 07/05/2019 \$ 1,544,668 07/05/13 1,523,350 1,544,668

Limited Liability Company Unit

Preferred Class A (B) 147,727 shs. 07/05/13 147,727 189,619

— 1,671,077 1,734,287



## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Tristar Global Energy Solutions, Inc. A hydrocarbon and decontamination services provider serving refineries worldwide. 12.5% Senior Subordinated Note due 07/31/2020				
	\$ 1,122,191	01/23/15	\$ 1,101,585	\$ 1,052,124
Vitex Packaging Group, Inc. 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	292,277
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	292,277
VP Holding Company A provider of school transportation services for special-needs and homeless children in Massachusetts.				
Common Stock (B)	3,632 shs.	03/31/14	363,158	584,560