

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-30D

November 26, 2013

Babson Capital
Participation Investors

Report for the
Nine Months Ended September 30, 2013

Adviser

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

Transfer Agent & Registrar

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P.O. Box 219086
Kansas City, MO 64121-9086
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Independent Registered Public Accounting Firm

KPMG LLP
Boston, Massachusetts 02110

Internet Website

www.babsoncapital.com/mpv

Counsel to the Trust

Ropes & Gray LLP
Boston, Massachusetts 02110

Babson Capital Participation Investors
c/o Babson Capital Management LLC
1500 Main Street, Suite 2200
Springfield, Massachusetts 01115
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Custodian

State Street Bank and Trust Company
Boston, Massachusetts 02116

Investment Objective and Policy

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

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

Form N-Q

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

Proxy Voting Policies & Procedures; Proxy Voting Record

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

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

June 30 is available (1) on the Trust's website: <http://www.babsoncapital.com/mpv>; and (2) on the SEC's website at <http://www.sec.gov>.

Babson Capital Management LLC ("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.

Babson Capital Participation Investors

TO OUR SHAREHOLDERS

October 31, 2013

We are pleased to present the September 30, 2013 Quarterly Report of Babson Capital Participation Investors (the “Trust”).

The Board of Trustees declared a quarterly dividend of 27 cents per share, payable on November 8, 2013 to shareholders of record on October 28, 2013. The Trust paid a 27 cent per share dividend for the preceding quarter. The Trust earned 23 cents per share of net investment income for the third quarter of 2013, compared to 26 cents per share in the previous quarter.

During the third quarter, the net assets of the Trust increased to \$133,445,366 or \$13.05 per share compared to \$131,772,834 or \$12.90 per share on June 30, 2013. This translates into a 3.3% 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 13.6%, 12.8%, 10.9%, and 13.3% for the 1-, 3-, 5-, and 10-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 4.7% during the quarter, from \$14.63 per share as of June 30, 2013 to \$13.94 per share as of September 30, 2013. The Trust’s market price of \$13.94 per share equates to a 6.8% premium over the September 30, 2013 net asset value per share of \$13.05. The Trust’s average quarter-end premium for the 3, 5 and 10-year periods was 17.4%, 10.3% and 10.8%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, increased 10.2% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, increased 2.3% for the quarter.

The Trust closed two new private placement investments during the third quarter. The two new investments were in EPM Holding Company and Tranzonic Holdings LLC. 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 \$2,354,000.

After a very sluggish first half of 2013, U.S. middle market buyout activity finally showed some signs of life during the third quarter. Our inflow of new investment opportunities increased significantly, particularly during the latter half of the quarter. We currently have a number of deals under review which we hope will turn into new investments for the Trust prior to year end. Competition for new investment opportunities continues to be intense though, as there is plenty of equity capital and senior and mezzanine debt looking to be invested. Attractive companies are being aggressively pursued by buyers and lenders alike, pushing both purchase price multiples and leverage levels to levels not seen since 2007 and 2008. Though we are actively closing new deals, we are doing so cautiously and with discipline, consistent with our longstanding investment philosophy of taking prudent levels of risk and getting paid appropriately for the risks taken. This approach has served us well for many years and through all kinds of market cycles.

(Continued)

The quality of the Trust's existing portfolio remained solid through the third quarter. We had five companies sold from the portfolio during the quarter. Three of these investments, Qualis Automotive LLC, RM Holding Company and The Tranzonic Companies, generated attractive returns for the Trust. Two of these investments, International Offshore Services LLC and Monessen Holding Corporation, resulted in losses for the Trust, as both of these companies had been struggling financially for quite some time. Since the end of the third quarter, we have had three additional companies sold. We also continue to have a healthy backlog of companies in the process of being sold, several of which are expected to close prior to year end. Refinancing activity in the portfolio was high once again in the third quarter. These transactions, in which the debt instruments held by the Trust were fully or partially prepaid, are being driven by companies seeking to take advantage of low interest rates and plentiful credit. We had seven full or partial prepayments in the third quarter, bringing the total to 21 full or partial prepayments so far this year. As mentioned in prior reports, the continued loss of these income-producing investments, without being offset by new investments, has negatively impacted the earnings of the Trust and could adversely impact the Trust's ability to sustain its dividend level in the quarters ahead.

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

Sincerely,

Michael L. Klofas
President

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

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

Babson Capital Participation Investors
CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
September 30, 2013
(Unaudited)

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$93,940,397)	\$91,475,650
Corporate restricted securities at market value (Cost - \$12,469,292)	12,617,535
Corporate public securities at market value (Cost - \$30,790,719)	31,868,137
Short-term securities at amortized cost	8,790,486
Total investments (Cost -\$145,990,894)	144,751,808
Cash	6,635,827
Interest receivable	1,340,791
Other assets	34,885
 Total assets	 152,763,311

Liabilities:

Note payable	15,000,000
Payable for investments purchased	3,090,000
Deferred tax liability	655,990
Investment advisory fee payable	300,252
Tax payable	78,614
Interest payable	27,267
Accrued expenses	165,822
 Total liabilities	 19,317,945

Total net assets	\$ 133,445,366
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Net Assets:

Common shares, par value \$.01 per share	\$ 102,290
Additional paid-in capital	95,583,503
Retained net realized gain on investments, prior years	33,733,164
Undistributed net investment income	3,628,766
Accumulated net realized gain on investments	2,292,719
Net unrealized depreciation of investments	(1,895,076)
Total net assets	\$ 133,445,366

Common shares issued and outstanding (14,785,750 authorized)	10,229,018
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Net asset value per share	\$ 13.05
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See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF OPERATIONS

For the nine months ended September 30, 2013

(Unaudited)

Investment Income:	
Interest	\$9,335,402
Dividends	121,696
Other	87,079
Total investment income	9,544,177
Expenses:	
Investment advisory fees	896,301
Interest	460,125
Trustees' fees and expenses	252,000
Professional fees	180,625
Reports to shareholders	67,500
Custodian fees	22,500
Other	17,887
Total expenses	1,896,938
Investment income - net	7,647,239
Net realized and unrealized gain on investments:	
Net realized loss on investments before taxes	(1,375,860)
Income tax expense	(9,701)
Net realized loss on investments after taxes	(1,385,561)
Net change in unrealized appreciation of investments before taxes	4,388,236
Net change in deferred income tax expense	(188,356)
Net change in unrealized appreciation of investments after taxes	4,199,880
Net gain on investments	2,814,319
Net increase in net assets resulting from operations	\$10,461,558

See Notes to Consolidated Financial Statements

Babson Capital Participation Investors
CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2013
(Unaudited)

Net increase in cash:	
Cash flows from operating activities:	
Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$(1,272,563)
Purchases of portfolio securities	(22,328,656)
Proceeds from disposition of portfolio securities	28,524,667
Interest, dividends and other income received	8,665,143
Interest expense paid	(460,125)
Operating expenses paid	(1,407,251)
Income taxes paid	(996,682)
Net cash provided by operating activities	10,724,533
Cash flows from financing activities:	
Cash dividends paid from net investment income	(8,261,074)
Receipts for shares issued on reinvestment of dividends	621,280
Net cash used for financing activities	(7,639,794)
Net increase in cash	3,084,739
Cash - beginning of year	3,551,088
Cash - end of period	\$6,635,827
Reconciliation of net increase in net assets to net cash provided by operating activities:	
Net increase in net assets resulting from operations	\$10,461,558
Increase in investments	(1,880,974)
Increase in interest receivable	(208,917)
Decrease in other assets	31,929
Increase in payable for investments purchased	3,090,000
Increase in deferred tax liability	188,356
Increase in investment advisory fee payable	12,535
Decrease in tax payable	(986,981)
Increase in accrued expenses	17,027
Total adjustments to net assets from operations	262,975
Net cash provided by operating activities	\$10,724,533

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the nine months ended 09/30/2013 (Unaudited)	For the year ended 12/31/2012
Increase in net assets:		
Operations:		
Investment income - net	\$7,647,239	\$10,965,123
Net realized loss on investments after taxes	(1,385,561)	2,488,796
Net change in unrealized appreciation of investments after taxes	4,199,880	4,059,101
Net increase in net assets resulting from operations	10,461,558	17,513,020
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2013 - 45,769; 2012 - 71,363)	621,280	1,013,772
Dividends to shareholders from:		
Net investment income (2013 - \$0.54 per share; 2012 - \$1.04 per share)	(5,511,597)	(10,584,312)
Net realized gains (2013 - \$0.00 per share; 2012 - \$0.04 per share)	—	(388,021)
Total increase in net assets	5,571,241	7,554,459
Net assets, beginning of year	127,874,125	120,319,666
Net assets, end of period/year (including undistributed net investment income of \$3,628,766 and \$1,493,124, respectively)	\$133,445,366	\$127,874,125

See Notes to Consolidated Financial Statements

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

	For the nine months ended 09/30/2013 (Unaudited)	2012	For the years ended December 31,			2008
			2011	2010	2009	
Net asset value:						
Beginning of year	\$ 12.56	\$ 11.90	\$ 11.89	\$ 10.91	\$ 11.10	\$ 12.84
Net investment income (a)	0.75	1.08	1.14	1.02	0.94	1.08
Net realized and unrealized gain (loss) on investments	0.28	0.64	0.08	0.95	(0.13)	(1.82)
Total from investment operations	1.03	1.72	1.22	1.97	(0.81)	0.74
Dividends from net investment income to common shareholders	(0.54)	(1.04)	(1.23)	(1.00)	(1.00)	(1.00)
Dividends from net realized gain on investments to common shareholders	—	(0.04)	(0.00)(b)	—	—	—
Increase from dividends reinvested	(0.00)(b)	0.02	0.02	0.01	0.00	0.00
Total dividends	(0.54)	(1.06)	(1.21)	(0.99)	(1.00)	(1.00)
Net asset value:						
End of period/year	\$ 13.05	\$ 12.56	\$ 11.90	\$ 11.89	\$ 10.91	\$ 11.10
Per share market value:						
End of period/year	\$ 13.94	\$ 13.91	\$ 15.85	\$ 13.88	\$ 12.20	\$ 9.05
Total investment return						
Net asset value (c)	8.31%	15.89%	10.56%	18.71%	7.60%	(6.01%)
Market value (c)	4.27%	(4.54%)	24.16%	22.94%	40.86%	(25.36%)
Net assets (in millions):						
End of period/year	\$ 133.45	\$ 127.87	\$ 120.32	\$ 119.54	\$ 108.93	\$ 110.18
Ratio of operating expenses to average net assets	1.46%(e)	1.51%	1.42%	1.46%	1.41%	1.33%

Ratio of interest expense to average net assets	0.47%(e)	0.49%	0.56%	0.61%	0.63%	0.58%
Ratio of income tax expense to average net assets (d)	0.01%(e)	0.83%	0.20%	0.46%	0.00%	0.00%
Ratio of net expenses to average net assets	1.94%(e)	2.83%	2.18%	2.53%	2.04%	1.91%
Ratio of net investment income to average net assets	7.75%(e)	8.82%	9.33%	8.96%	8.55%	8.74%
Portfolio turnover	19%	34%	21%	27%	23%	32%

(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	\$ 12	\$ 12	\$ 12
Asset coverage per \$1,000 of indebtedness	\$ 9,896	\$ 9,525	\$ 9,021	\$ 10,962	\$ 10,077	\$ 10,181

See Notes to Consolidated Financial Statements

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2013

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 78.00%: (A)				
Private Placement Investments - 68.55%				
1492 Acquisition LLC				
A leading producer of premium Italian cured meats and deli meats in the U.S.				
14% Senior Subordinated Note due 2019	\$1,158,173	10/17/12	\$1,137,394	\$1,160,511
Limited Liability Company Unit Class A Common (B)	11,364 uts.	10/17/12	11,364	39,525
Limited Liability Company Unit Class A Preferred (B)	102 uts.	10/17/12	102,270	108,199
			1,251,028	1,308,235
A E Company, Inc.				
A designer and manufacturer of machined parts and assembly structures for the commercial and military aerospace industries.				
	184,615			
Common Stock (B)	shs.	11/10/09	184,615	281,974
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	92,308 shs.	11/10/09	68,566	140,988
			253,181	422,962
A H C Holding Company, Inc.				
A designer and manufacturer of boilers and water heaters for the commercial sector.				
Limited Partnership Interest (B)	12.26% int.	11/21/07	119,009	196,943
A S C Group, Inc.				
A designer and manufacturer of high reliability encryption equipment, communications products, computing systems and components primarily for the military and aerospace sectors.				
Limited Liability Company Unit Class A (B)	2,186 uts.	*	78,340	148,255
Limited Liability Company Unit Class B (B)	1,479 uts.	10/09/09	52,999	100,306
* 10/09/09 and 10/27/10.			131,339	248,561
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 2014 (D)	\$420,000	05/15/08	413,944	210,000
13% Senior Subordinated Note due 2015 (D)	\$420,000	05/15/08	384,627	—
Common Stock (B)	60,000 shs.	05/15/08	60,000	—
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	21,099 shs.	05/15/08	35,654	—
			894,225	210,000
ABC Industries, Inc.				

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A manufacturer of mine and tunneling ventilation products in the U.S.				
13% Senior Subordinated Note due 2019	\$500,000	08/01/12	452,933	495,176
Preferred Stock Series A (B)	125,000 shs.	08/01/12	125,000	125,000
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	22,414 shs.	08/01/12	42,446 620,379	22,414 642,590

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Babson Capital Participation Investors
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2013
(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
ACP Cascade Holdings LLC A manufacturer and distributor of vinyl windows and patio doors throughout the northwestern United States.				
Limited Liability Company Unit Class B (B)	32 uts.	11/09/12	\$—	\$—
Advanced Manufacturing Enterprises LLC A designer and manufacturer of large, custom gearing products for a number of critical customer applications.				
14% Senior Subordinated Note due 2018	\$1,134,615	12/07/12	1,119,149	1,060,596
Limited Liability Company Unit (B)	1,431 uts.	12/07/12	143,077	97,484
			1,262,226	1,158,080
Advanced Technologies Holdings A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	421 shs.	12/27/07	208,456	906,404
Convertible Preferred Stock Series B (B)	28 shs.	01/04/11	21,600	59,794
			230,056	966,198
All Current Holding Company A specialty re-seller of essential electrical parts and components primarily serving wholesale distributors.				
Common Stock (B)	713 shs.	09/26/08	71,303	140,733
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	507 shs.	09/26/08	46,584	100,073
			117,887	240,806
American Hospice Management Holding LLC A for-profit hospice care provider in the United States.				
12% Senior Subordinated Note due 2013	\$1,237,502	*	1,233,527	1,237,502
Preferred Class A Unit (B)	1,706 uts.	**	170,600	270,353
Preferred Class B Unit (B)	808 uts.	06/09/08	80,789	184,975
Common Class B Unit (B)	16,100 uts.	01/22/04	1	—
Common Class D Unit (B)	3,690 uts.	09/12/06	—	—
			1,484,917	1,692,830
AMS Holding LLC A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.				
14.25% Senior Subordinated Note due 2019	\$1,161,860	10/04/12	1,141,139	1,169,782
Limited Liability Company Unit Class A Preferred (B)	114 uts.	10/04/12	113,636	113,630
			1,254,775	1,283,412

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Apex Analytix Holding Corporation

A provider of audit recovery and fraud detection services and software to commercial and retail businesses in the U.S. and Europe.

12.5% Senior Subordinated Note due 2017	\$1,012,500	04/28/09	932,015	1,012,500
Preferred Stock Series B (B)	1,623 shs.	04/28/09	162,269	238,040
Common Stock (B)	723 shs.	04/28/09	723	104,529
			1,095,007	1,355,069

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Arch Global Precision LLC				
A leading manufacturer of high tolerance precision components and consumable tools.				
14.75% Senior Subordinated Note due 2018	\$787,384	12/21/11	\$771,048	\$784,831
Limited Liability Company Unit Class B (B)	28 uts.	12/21/11	28,418	31,718
Limited Liability Company Unit Class C (B)	222 uts.	12/21/11	221,582	247,292
			1,021,048	1,063,841
ARI Holding Corporation				
A leading national supplier of products used primarily by specialty contractors.				
13.5% Senior Subordinated Note due 2020	\$1,310,231	05/21/13	1,284,995	1,296,675
Preferred Stock Series (B)	29 shs.	05/21/13	289,604	292,174
Common Stock (B)	29 shs.	05/21/13	32,178	52,162
			1,606,777	1,641,011
Arrow Tru-Line Holdings, Inc.				
A manufacturer of hardware for residential and commercial overhead garage doors in North America.				
12% Senior Subordinated Note due 2016 (D)	\$780,136	05/18/05	721,805	780,136
Preferred Stock (B)	33 shs.	10/16/09	33,224	89,975
Common Stock (B)	263 shs.	05/18/05	263,298	5,424
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	69 shs.	05/18/05	59,362	1,422
			1,077,689	876,957
Baby Jogger Holdings LLC				
A designer and marketer of premium baby strollers and stroller accessories.				
14% Senior Subordinated Note due 2019	\$942,213	04/20/12	926,291	961,057
Common Stock (B)	754 shs.	04/20/12	75,376	129,785
			1,001,667	1,090,842
Blue Wave Products, Inc.				
A distributor of pool supplies.				
10% Senior Secured Term Note due 2018	\$317,730	10/12/12	312,166	313,711
13% Senior Subordinated Note due 2019	\$320,831	10/12/12	299,370	315,160
Common Stock (B)	51,064 shs.	10/12/12	51,064	55,428
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	20,216 shs.	10/12/12	20,216	21,944
			682,816	706,243
BP SCI LLC				
A leading value-added distributor of branded pipes, valves, and fittings (PVF) to diversified end markets.				
14% Senior Subordinated Note due 2018	\$1,061,835	10/17/12	1,043,259	1,026,529
Limited Liability Company Unit Class A (B)	417 uts.	10/17/12	41,667	34,173
Limited Liability Company Unit Class B (B)	167 uts.	10/17/12	166,666	181,299

1,251,592 1,242,001

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Babson Capital Participation Investors
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2013
(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
Bravo Sports Holding Corporation A designer and marketer of niche branded consumer products including canopies, trampolines, in-line skates, skateboards, and urethane wheels.				
12.5% Senior Subordinated Note due 2014 Preferred Stock Class A (B)	\$1,207,902	06/30/06	\$1,197,327	\$1,147,507
Common Stock (B)	465 shs.	06/30/06	141,946	63,352
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	1 sh.	06/30/06	152	—
	164 shs.	06/30/06	48,760	22,264
			1,388,185	1,233,123
C D N T, Inc. A value-added converter and distributor of specialty pressure sensitive adhesives, foams, films, and foils.				
10.5% Senior Secured Term Note due 2014	\$80,451	08/07/08	80,164	80,451
12.5% Senior Subordinated Note due 2015	\$429,070	08/07/08	413,907	429,070
Common Stock (B)	41,860 shs.	08/07/08	41,860	78,318
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	32,914 shs.	08/07/08	32,965	61,580
			568,896	649,419
Capital Specialty Plastics, Inc. A producer of desiccant strips used for packaging pharmaceutical products.				
Common Stock (B)	55 shs.	*	252	615,077
*12/30/97 and 05/29/99.				
CG Holdings Manufacturing Company A coating provider in the fragmented North American market, serving the automotive, agricultural, heavy truck and other end markets.				
13% Senior Subordinated Note due 2019	\$1,136,364	05/09/13	1,071,862	1,143,101
Preferred Stock (B)	1,023 shs.	05/09/13	102,272	100,931
Preferred Stock-OID (B)	402 shs.	05/09/13	40,215	39,692
Common Stock (B)	105 shs.	05/09/13	11,364	6,990
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	48 shs.	05/09/13	4,465	3,206
			1,230,178	1,293,920
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	\$742,294	01/19/11	711,069	757,139
14% Senior Subordinated Note due 2019	\$191,948	08/03/12	188,597	192,631

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Common Stock (B)	375 shs.	01/19/11	37,500	47,249
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	295 shs.	01/19/11	29,250 966,416	37,140 1,034,159

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(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 Houston, Dallas, and Austin markets.				
14.5% Senior Subordinated Note due 2018	\$412,242	03/26/12	\$400,967	\$409,834
Common Stock (B)	1,327 shs.	*	132,700	116,238
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	57 shs.	03/26/12	5,740	4,993
*03/26/12, 05/25/12 and 06/19/12.			539,407	531,065
Clough, Harbour and Associates				
An engineering service firm that is located in Albany, NY.				
Preferred Stock (B)	147 shs.	12/02/08	146,594	211,728
Connecticut Electric, Inc.				
A supplier and distributor of electrical products sold into the retail and wholesale markets.				
10% Senior Subordinated Note due 2014 (D)	\$771,051	01/12/07	719,299	759,166
Limited Liability Company Unit Class A (B)	82,613 uts.	01/12/07	82,613	50,504
Limited Liability Company Unit Class C (B)	59,756 uts.	01/12/07	59,756	39,148
	671,525			
Limited Liability Company Unit Class D (B)	uts.	05/03/10	—	722,809
Limited Liability Company Unit Class E (B)	1,102 uts.	05/03/10	—	—
			861,668	1,571,627
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	285,676
Preferred Stock Series C (B)	3,748 shs.	07/05/07	125,207	117,914
Common Stock (B)	380 shs.	07/05/07	4	—
Limited Partnership Interest (B)	6.88% int.	*	103,135	—
*08/12/04 and 01/14/05.			599,142	403,590
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	267,235
Crane Rental Corporation				
A crane rental company since 1960, headquartered in Florida.				
13% Senior Subordinated Note due 2015	\$1,032,750	08/21/08	991,546	1,032,750

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Common Stock (B)	135,000 shs.	08/21/08	135,000	157,227
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	72,037 shs.	08/21/08	103,143 1,229,689	83,897 1,273,874

Babson Capital Participation Investors
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2013
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Custom Engineered Wheels, Inc.				
A manufacturer of custom engineered, non-pneumatic plastic wheels and plastic tread cap tires used primarily for lawn and garden products and wheelchairs.				
Preferred Stock PIK (B)	156 shs.	10/27/09	\$156,468	\$207,319
Preferred Stock Series A (B)	114 shs.	10/27/09	104,374	151,471
Common Stock (B)	38 shs.	10/27/09	38,244	74,565
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	28 shs.	10/27/09	25,735	54,481
			324,821	487,836
DPL Holding Corporation				
A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.				
14% Senior Subordinated Note due 2019	\$1,315,818	05/04/12	1,293,498	1,248,980
Preferred Stock (B)	25 shs.	05/04/12	252,434	265,864
Common Stock (B)	25 shs.	05/04/12	28,048	48,476
			1,573,980	1,563,320
Duncan Systems, Inc.				
A distributor of windshields and side glass for the recreational vehicle market.				
10% Senior Secured Term Note due 2013	\$77,143	11/01/06	77,125	77,018
13% Senior Subordinated Note due 2014	\$488,572	11/01/06	476,894	483,239
Common Stock (B)	102,857 shs.	11/01/06	102,857	24,060
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	32,294 shs.	11/01/06	44,663	7,554
			701,539	591,871
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	250,747
Eatem Holding Company				
A developer and manufacturer of savory flavor systems for soups, sauces, gravies, and other products produced by food manufacturers for retail and foodservice end products.				
12.5% Senior Subordinated Note due 2018	\$950,000	02/01/10	863,656	933,842
Common Stock (B)	50 shs.	02/01/10	50,000	59,368
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	119 shs.	02/01/10	107,100	141,557
			1,020,756	1,134,767

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ELT Holding Company

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

14% Senior Subordinated Note due 2019	\$938,675	03/01/12	923,269	934,459
Common Stock (B)	41 shs.	03/01/12	90,909	62,299
			1,014,178	996,758

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
EPM Holding Company				
A provider of non-discretionary regulatory driven engineering services that support mission critical safety and operational aspects of nuclear power plants.				
14.5% Senior Subordinated Note due 2019	\$578,124	07/26/13	\$566,836	\$573,430
Common Stock (B)	1,535 shs.	07/26/13	153,474	145,800
			720,310	719,230
F F C Holding Corporation				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
16% Senior Subordinated Note due 2017	\$921,011	09/27/10	910,320	921,011
Limited Liability Company Unit Preferred (B)	171 uts.	09/27/10	58,345	191,764
Limited Liability Company Unit (B)	171 uts.	09/27/10	17,073	20,261
			985,738	1,133,036
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.				
13.25% Senior Subordinated Note due 2018	\$ 436,475	05/02/13	432,396	436,624
14.25% Senior Subordinated Note due 2018	\$ 114,042	02/29/12	114,073	114,156
Limited Liability Company Unit Class B-1 (B)	65,789 uts.	12/15/10	65,789	160,843
Limited Liability Company Unit Class B-2 (B)	8,248 uts.	12/15/10	8,248	20,165
Limited Liability Company Unit Class B-3 (B)	6,522 uts.	08/30/12	15,000	17,556
Limited Liability Company Unit Class C (B)	1,575 uts.	12/20/10	16,009	25,924
			651,515	775,268
Flutes, Inc.				
An independent manufacturer of micro fluted corrugated sheet material for the food and consumer products packaging industries.				
10% Senior Secured Term Note due 2014 (D)	\$655,392	04/13/06	519,050	655,392
14% Senior Subordinated Note due 2015 (D)	\$432,280	04/13/06	290,908	40,827
			809,958	696,219
G C Holdings				

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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	653,247
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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	2,198
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Limited Liability Company Unit Preferred (B)	76 uts.	10/05/12	75,920	80,467
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			76,687	82,665
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Babson Capital Participation Investors
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2013
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
gloProfessional Holdings, Inc. A marketer and distributor of premium mineral-based cosmetics, cosmeceuticals and professional hair care products to the professional spa and physician's office channels.				
14% Senior Subordinated Note due 2019	\$ 1,143,427	03/27/13	\$ 1,122,060	\$ 1,118,236
Common Stock (B)	1,181 shs.	03/27/13	118,110	106,589
			1,240,170	1,224,825
Golden County Foods Holding, Inc. A manufacturer of frozen appetizers and snacks.				
14% Senior Subordinated Note due 2015 (D)	\$ 1,012,500	11/01/07	938,215	—
14% PIK Note due 2015 (D)	\$ 250,259	12/31/08	217,699	—
8% Series A Convertible Preferred Stock, convertible into common shares (B)	151,643 shs.	11/01/07	77,643	—
			1,233,557	—
H M Holding Company A designer, manufacturer, and importer of promotional and wood furniture.				
7.5% Senior Subordinated Note due 2014 (D)		\$362,700	10/15/09	271,181
Preferred Stock (B)		21 shs.	*	21,428
Preferred Stock Series B (B)		1,088 shs.	10/15/09	813,544
Common Stock (B)		180 shs.	02/10/06	180,000
Common Stock Class C (B)		296 shs.	10/15/09	—
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)		67 shs.	02/10/06	61,875
* 09/18/07 and 06/27/08.				1,348,028
Handi Quilter Holding Company A designer and manufacturer of long-arm quilting machines and related components for the consumer quilting market.				
12% Senior Subordinated Note due 2017		\$461,539	11/14/11	434,765
Common Stock (B)		38 shs.	11/14/11	38,461
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)		28 shs.	11/14/11	25,596
				498,822
				66,402
				634,519

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Healthcare Direct Holding Company

A direct-to-customer marketer of discount dental plans.

14% Senior Subordinated Note due 2019	\$720,726	03/09/12	708,867	686,283
Common Stock (B)	517 shs.	03/09/12	51,724	14,339
			760,591	700,622

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Hi-Rel Group LLC				
A manufacturer and distributor of precision metal piece parts for the microelectronic packaging industry, serving the aerospace/ defense, telecommunications, and medical end markets.				
12% Senior Subordinated Note due 2018	\$ 703,125	04/15/13	\$ 659,812	\$ 693,230
Limited Liability Company Unit (B)	234 uts.	04/15/13	234,375	225,205
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	37,177 shs.	04/15/13	32,344	26,756
			926,531	945,191
Home Décor Holding Company				
A designer, manufacturer and marketer of framed art and wall décor products.				
Common Stock (B)	33 shs.	*	33,216	84,406
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)	106 shs.	*	105,618	268,361
* 06/30/04 and 08/19/04.			138,834	352,767
HOP Entertainment LLC				
A provider of post production equipment and services to producers of television shows and motion pictures.				
Limited Liability Company Unit Class F (B)	47 uts.	10/14/11	—	—
Limited Liability Company Unit Class G (B)	114 uts.	10/14/11	—	—
Limited Liability Company Unit Class H (B)	47 uts.	10/14/11	—	—
Limited Liability Company Unit Class I (B)	47 uts.	10/14/11	—	—
Hospitality Mints Holding Company				
A manufacturer of individually-wrapped imprinted promotional mints.				
	\$ 1,098,837	08/19/08	1,057,909	1,060,814

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12% Senior Subordinated Note
due 2016

Common Stock (B)	251 shs.	08/19/08	251,163	71,314
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	65 shs.	08/19/08	60,233 1,369,305	18,433 1,150,561

HVAC Holdings, Inc.

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

14% Senior Subordinated Note
due 2019

Preferred Stock Series A (B)	\$ 1,159,519	09/27/12	1,138,857	1,146,133
Common Stock (B)	1,127 shs.	09/27/12	112,726	123,393
Common Stock (B)	910 shs.	09/27/12	910 1,252,493	7,779 1,277,305

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	159,765
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Babson Capital Participation Investors
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2013
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Insurance Claims Management, Inc.				
A third party administrator providing auto and property claim administration services for insurance companies.				
Common Stock (B)	47 shs.	02/27/07	\$1,424	\$304,415
J A C Holding Enterprises, Inc.				
A supplier of luggage racks and accessories to the original equipment manufacturers.				
Preferred Stock A (B)	165 shs.	12/20/10	165,000	23,401
Preferred Stock B (B)	0.06 shs.	12/20/10	—	81
Common Stock (B)	33 shs.	12/20/10	1,667	48,239
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	12 shs.	12/20/10	105,643	17,498
			272,310	289,219
Jason Partners Holdings LLC				
A diversified manufacturing company serving various industrial markets.				
Limited Liability Company Unit (B)	48 uts.	09/21/10	449,086	25,511
JMH Investors LLC				
A developer and manufacturer of custom formulations for a wide variety of foods.				
14.25% Senior Subordinated Note due 2019	\$1,051,839	12/05/12	1,032,670	1,024,118
	217,391			
Limited Liability Company Unit (B)	uts.	12/05/12	217,391	168,833
			1,250,061	1,192,951
K & N Parent, Inc.				
A manufacturer and supplier of automotive aftermarket performance air filters and intake systems.				
14% Senior Subordinated Note due 2019	\$1,142,745	12/23/11	1,117,384	1,144,916
Preferred Stock Series A (B)	102 shs.	12/23/11	39,887	116,758
Preferred Stock Series B (B)	29 shs.	12/23/11	—	33,043
Common Stock (B)	130 shs.	12/23/11	6,522	49,351
			1,163,793	1,344,068
K N B Holdings Corporation				
A designer, manufacturer and marketer of products for the custom framing market.				
14% Senior Subordinated Note due 2017	\$2,285,801	*	2,140,034	2,285,801
Common Stock (B)	71,053 shs.	05/25/06	71,053	37,820
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	43,600 shs.	05/25/06	37,871	23,208
			2,248,958	2,346,829
* 5/25/06 and 04/12/11.				
K P H I Holdings, Inc.				

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A manufacturer of highly engineered plastic and metal components for a diverse range of end-markets, including medical, consumer and industrial, automotive and defense.

Common Stock (B)	232,826 shs.	12/10/10	232,826	269,490
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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value	
K P I Holdings, Inc.					
The largest player in the U.S. non-automotive, non-ferrous die casting segment.					
Convertible Preferred Stock Series C (B)	29 shs.	06/30/09	\$ 29,348	\$ 58,000	
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	49,533	
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	51 shs.	07/16/08	50,836	10,726	
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	67 shs.	09/17/09	—	14,220	
			327,925	171,359	
LPC Holding Company					
A designer and manufacturer of precision-molded silicone rubber components that are utilized in the medical and automotive end markets.					
Common Stock (B)	105 shs.	08/15/11	105,019	146,673	
M V I Holding, Inc.					
A manufacturer of large precision machined metal components used in equipment which services a variety of industries, including the oil and gas, mining, and defense markets.					
Common Stock (B)		32 shs.	09/12/08	32,143	15,917
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)		35 shs.	09/12/08	34,714	17,190
			66,857	33,107	
Mail Communications Group, Inc.					
A provider of mail processing and handling services, lettershop services, and commercial printing services.					
Limited Liability Company Unit (B)		12,764 uts.	*	166,481	251,028
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)		1,787 shs.	05/04/07	22,781	35,146
* 05/04/07 and 01/02/08.				189,262	286,174
Manhattan Beachwear Holding Company					
A designer and distributor of women's swimwear.					
12.5% Senior Subordinated Note due 2018		\$419,971	01/15/10	383,693	419,971
15% Senior Subordinated Note due 2018		\$110,334	10/05/10	108,826	105,705
Common Stock (B)		35 shs.	10/05/10	35,400	83,570
Common Stock Class B (B)		118 shs.	01/15/10	117,647	277,742
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)		104 shs.	01/15/10	94,579	245,801

740,145

1,132,789

Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Marshall Physicians Services LLC				
A provider of emergency department and hospital medicine services to hospitals located in the state of Kentucky. The Company was founded in 1999 and is owned by seven practicing physicians.				
13% Senior Subordinated Note due 2016	\$449,002	09/20/11	\$442,035	\$457,982
Limited Liability Company Unit Class A (B)	2,900 uts.	09/20/11	60,000	130,662
Limited Liability Company Unit Class D (B)	291 uts.	09/20/11	—	7,854
			502,035	596,498
MBWS Ultimate Holdco, Inc.				
A provider of services throughout North Dakota that address the fluid management and related transportation needs of an oil well.				
12% Senior Subordinated Note due 2016	\$1,117,495	*	1,052,196	1,117,495
Preferred Stock Series A (B)	1,388 shs.	09/07/10	138,797	395,915
Common Stock (B)	162 shs.	03/01/11	16,226	46,209
Common Stock (B)	153 shs.	09/07/10	15,282	43,642
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	103 shs.	03/01/11	10,325	29,380
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	386 shs.	09/07/10	38,623	110,103
* 09/07/10 and 03/01/11.			1,271,449	1,742,744
MedSystems Holdings LLC				
A manufacturer of enteral feeding products, such as feeding tubes and other products related to assisted feeding.				
Preferred Unit (B)	66 uts.	08/29/08	66,451	87,200
Common Unit Class A (B)	671 uts.	08/29/08	671	30,268
Common Unit Class B (B)	250 uts.	08/29/08	63,564	11,262
			130,686	128,730
MEGTEC Holdings, Inc.				
A supplier of industrial and environmental products and services to a broad array of industries.				
Preferred Stock (B)	56 shs.	09/24/08	54,040	87,027
Limited Partnership Interest (B)	0.74% int.	09/16/08	205,932	411,103
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	18 shs.	09/24/08	18,237	64,011
			278,209	562,141
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.				

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14% Senior Subordinated Note due 2018	\$424,528	09/22/11	417,818	428,598
	155,945			
Limited Liability Company Unit Series B (B)	uts.	09/22/11	155,945	171,794
			573,763	600,392

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
MicroGroup, Inc.				
A manufacturer of precision parts and assemblies, and a value-added supplier of metal tubing and bars.				
7% Senior Subordinated Note due 2014 (D)	\$902,727	*	\$865,676	225,682
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 2014, to purchase common stock at \$.02 per share (B)	87 shs.	*	86,281	—
*08/12/05 and 09/11/06.			1,688,697	225,682
MNX Holding Company				
An international third party logistics Company providing customized logistics services to customers across the globe.				
14% Senior Subordinated Note due 2019	\$1,227,538	11/02/12	1,205,400	1,217,149
Common Stock (B)	45 shs.	11/02/12	44,643	36,819
			1,250,043	1,253,968
Motion Controls Holdings				
A manufacturer of high performance mechanical motion control and linkage products.				
14.25% Senior Subordinated Note due 2017	\$952,954	11/30/10	940,821	936,343
Limited Liability Company Unit Class B-1 (B)	93,750 uts.	11/30/10	—	83,425
Limited Liability Company Unit Class B-2 (B)	8,501 uts.	11/30/10	—	7,565
			940,821	1,027,333
NABCO, Inc.				
A producer of explosive containment vessels in the United States.				
Common Stock (B)	429 shs.	12/20/12	306,091	101,379
NetShape Technologies, Inc.				
A manufacturer of powder metal and metal injection molded precision components used in industrial, consumer, and other applications.				
14% Senior Subordinated Note due 2014	\$1,061,463	02/02/07	1,017,703	1,008,389
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	227,849
Limited Liability Company Unit Class D-2 of				

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Saw Mill PCG Partners LLC (B)	68 uts.	04/29/11	34,547	234,385
* 12/18/08 and 09/30/09.			1,770,360	1,470,623

Babson Capital Participation Investors
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2013
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Nicoat Acquisitions LLC				
A manufacturer of water-based and ultraviolet coatings for high-performance graphic arts, packaging and other specialty coating applications.				
14% Senior Subordinated Note due 2018	\$489,858	11/05/10	\$459,534	\$494,757
Limited Liability Company Unit Series B (B)	17,241 uts.	11/05/10	17,241	21,334
Limited Liability Company Unit Series B (B)	34,931 uts.	11/05/10	34,931	43,223
Limited Liability Company Unit Series F (B)	52,172 uts.	11/05/10	—	228,889
			511,706	788,203
Northwest Mailing Services, Inc.				
A producer of promotional materials for companies that use direct mail as part of their customer retention and loyalty programs.				
12% Senior Subordinated Note due 2016	1,492,105	*	1,332,442	1,469,871
Limited Partnership Interest (B)	1,740 uts.	*	174,006	86,411
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	2,605 shs.	*	260,479	129,353
*07/09/09 and 08/09/10.			1,766,927	1,685,635
NT Holding Company				
A leading developer, manufacturer and provider of medical products used primarily in interventional pain management.				
12% Senior Subordinated Note due 2019	\$883,117	02/02/11	828,558	891,948
Common Stock (B)	126 shs.	*	125,883	144,168
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	59 shs.	02/02/11	52,987	67,285
* 02/02/11 and 06/30/11.			1,007,428	1,103,401
O E C Holding Corporation				
A provider of elevator maintenance, repair and modernization services.				
13% Senior Subordinated Note due 2017	\$ 444,445	06/04/10	418,332	444,445
Preferred Stock Series A (B)	554 shs.	06/04/10	55,354	23,923
Preferred Stock Series B (B)	311 shs.	06/04/10	31,125	13,452
Common Stock (B)	344 shs.	06/04/10	344	—
			505,155	481,820
Ontario Drive & Gear Ltd.				
A manufacturer of all-wheel drive, off-road amphibious vehicles and related accessories.				

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Limited Liability Company Unit (B)	1,942 uts.	01/17/06	302,885	848,861
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	328 shs.	01/17/06	90,424 393,309	143,319 992,180

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
P K C Holding Corporation				
A manufacturer of plastic film and badges for the general industrial, medical, and food industries.				
14% Senior Subordinated Note due 2016	\$1,640,976	12/21/10	\$1,628,712	\$1,657,385
Preferred Stock Class A (B)	29 shs.	12/21/10	180,380	331,326
Common Stock (B)	29 shs.	12/21/10	13,500	31,762
			1,822,592	2,020,473
P P T Holdings LLC				
A high-end packaging solutions provider that targets customers who have multiple packaging needs, require a high number of low volume SKUs, short lead times, technical expertise, and overall supply chain management.				
15% Senior Subordinated Note due 2017	\$971,269	12/20/10	958,468	955,174
Limited Liability Company Unit Class A (B)	33 uts.	12/20/10	106,071	103,759
Limited Liability Company Unit Class B (B)	33 uts.	12/20/10	1,072	103,759
			1,065,611	1,162,692
Pacific Consolidated Holdings LLC				
A manufacturer of rugged, mobile liquid and gaseous oxygen and nitrogen generating systems used in the global defense, oil and gas, and medical sectors.				
0% Senior Subordinated Note due 2014	\$42,188	12/18/12	—	42,188
Paradigm Packaging, Inc.				
A manufacturer of plastic bottles and closures for the nutritional, pharmaceutical, personal care, and food packaging markets.				
12% Senior Subordinated Note due 2016	\$843,750	12/19/00	842,387	843,750
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	197 shs.	12/21/00	140,625	168,718
			983,012	1,012,468
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	—
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	—
Petroplex Inv Holdings LLC				
A leading provider of acidizing services to E&P customers in the Permian Basin.				
16% Senior Subordinated Note due 2018	\$1,131,397	11/29/12	1,106,824	1,098,294
Limited Liability Company Unit (B)	156,250 uts.	11/29/12	156,250	147,942
			1,263,074	1,246,236

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September 30, 2013
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Postle Aluminum Company LLC				
A manufacturer and distributor of aluminum extruded products.				
15% Senior Subordinated Note due 2013	\$894,711	06/03/10	\$893,814	\$894,711
Limited Liability Company Unit Class A (B)	733 uts.	10/02/06	270,000	124,146
Limited Liability Company Unit (B)	76 uts.	05/22/09	340	12,876
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	4,550 shs.	10/02/06	65,988	770,950
			1,230,142	1,802,683
Precision Wire Holding Company				
A manufacturer of specialty medical wires that are used in non-elective minimally invasive surgical procedures.				
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	109 shs.	11/12/09	107,970	185,142
R A J Manufacturing Holdings LLC				
A designer and manufacturer of women's swimwear sold under a variety of licensed brand names.				
14.5% Senior Subordinated Note due 2014	\$831,458	12/15/06	811,311	415,729
Limited Liability Company Unit (B)	1,497 uts.	12/15/06	149,723	—
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	2 shs.	12/15/06	69,609	—
			1,030,643	415,729
REVSpring, Inc.				
A provider of accounts receivable management and revenue cycle management services to customers in the healthcare, financial and utility industries.				
14% Senior Subordinated Note due 2018	\$1,154,960	*	1,137,753	1,148,961
Limited Liability Company Unit Class A (B)	13,548 uts.	*	135,477	177,392
* 10/21/11 and 08/03/12.			1,273,230	1,326,353
Rose City Holding Company				
A designer and printer of folding cartons and packaging for food and beverage manufacturers on the West Coast.				
14.5% Senior Subordinated Note due 2018	\$597,772	12/11/12	587,230	590,192
Preferred Stock (B)	39,062 shs.	12/11/12	39,062	41,279
Common Stock (B)	39 shs.	12/11/12	4	10,627
			626,296	642,098
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.				

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15% Senior Subordinated Note due 2018	\$843,750	*	832,951	853,635
Preferred Stock (B)	2,098 shs.	03/30/12	83,920	92,151
Common Stock (B)	983 shs.	03/30/12	9,830	—
* 03/30/12 and 05/16/13.			926,701	945,786

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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.				
12.5% Senior Subordinated Note due 2014 (D)	\$ 1,157,231	01/15/09	\$ 826,004	\$ —
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	713,383
Common Stock (B)		76 shs.	03/15/13	75,509
Warrant, exercisable until 2023, to purchase common stock A at \$.01 per share (B)		31 shs.	03/15/13	28,316
			817,208	855,694
Smart Source Holdings LLC				
A short-term computer rental company.				
Limited Liability Company Unit (B)		328 uts.	*	261,262
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)		83 shs.	*	67,467
* 08/31/07 and 03/06/08.			328,729	541,139
Snacks Parent Corporation				
The world's largest provider of trail mixes and a leading provider of snack nuts, dried fruits, and other healthy snack products.				
13% Senior Subordinated Note due 2020	\$ 894,162	11/12/10	856,439	903,104
Preferred Stock A (B)	1,132 shs.	11/12/10	100,501	77,140
Preferred Stock B (B)	525 shs.	11/12/10	—	35,796
Common Stock (B)	6,579 shs.	11/12/10	6,579	—
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	1,806 shs.	11/12/10	1,806	—
			965,325	1,016,040
SouthernCare Holdings, Inc.				
A hospice company providing palliative care services to terminally ill patients.				
Common Stock (B)		909 shs.	12/01/11	90,909
				97,959
Spartan Foods Holding Company				

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A manufacturer of branded pizza crusts and
pancakes.

14.25% Senior Subordinated Note due 2017	\$ 1,200,671	12/15/09	1,084,106	1,166,047
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	136 shs.	12/15/09	120,234 1,204,340	46,640 1,212,687

Babson Capital Participation Investors
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2013
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Specialty Commodities, Inc.				
A distributor of specialty food ingredients.				
Common Stock (B)	16 shs.	10/23/08	\$ 158,824	\$ 244,481
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	6 shs.	10/23/08	53,285 212,109	92,362 336,843
Stag Parkway Holding Company				
A distributor of RV parts and accessories in the United States.				
13% Senior Subordinated Note due 2018	\$ 1,140,654	12/19/12	1,091,594	1,139,462
Common Stock (B)	118 shs.	12/19/12	118,203	118,258
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	35 shs.	12/19/12	31,848 1,241,645	34,727 1,292,447
Strata/WLA Holding Corporation				
A leading independent anatomic pathology laboratory that conducts over 320,000 tests annually to customers in 40 U.S. states and in Canada and Venezuela.				
14.5% Senior Subordinated Note due 2018	\$ 959,148	07/01/11	943,703	239,787
Preferred Stock Series A (B)	76 shs.	07/01/11	76,046 1,019,749	— 239,787
Sundance Investco LLC				
A provider of post-production services to producers of movies and television shows.				
Limited Liability Company Unit Class A (B)	3,405 shs.	03/31/10	—	—
Sunrise Windows Holding Company				
A manufacturer and marketer of premium vinyl windows exclusively selling to the residential remodeling and replacement market.				
14% Senior Subordinated Note due 2017	\$ 1,017,818	12/14/10	976,854	995,448
14% Senior Subordinated PIK Note due 2017	\$ 87,507	08/17/12	84,522	85,584
Common Stock (B)	38 shs.	12/14/10	38,168	14,735
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	37 shs.	12/14/10	37,249 1,136,793	14,380 1,110,147
Synteract Holdings Corporation				
A provider of outsourced clinical trial management services to pharmaceutical and biotechnology companies.				
14% Senior Subordinated Note due 2019	\$ 1,755,076	09/02/08	1,690,254	1,755,076
Preferred Stock Series D (B)	257 shs.	02/27/13	25,678	37,578

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Redeemable Preferred Stock Series A (B)	678 shs.	09/02/08	6,630	—
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	6,778 shs.	09/02/08	59,661 1,782,223	— 1,792,654

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Terra Renewal LLC				
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.				
12% Senior Subordinated Note due 2014 (D)	\$ 609,375	*	\$ 254,802	\$ —
Common Stock Class B	32 shs.	*	20,136	—
Limited Partnership Interest of Saw Mill Capital Fund V, LLC (B)	2.27% int.	**	146,349	—
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	41 shs.	04/28/06	33,738	—
* 04/28/06 and 09/13/06.			455,025	—
**03/01/05 and 10/10/08.				
Torrent Group Holdings, Inc.				
A contractor specializing in the sales and installation of engineered drywells for the retention and filtration of stormwater and nuisance water flow.				
14.5% Senior Subordinated Note due 2014 (D)		\$ 1,300,003 10/26/07	1,136,835	1,300,003
Series B Preferred Stock (B)		97 shs. 03/31/10	—	135,013
Common Stock (B)		273 shs. 03/31/10	219,203	—
			1,356,038	1,435,016
Transpac Holding Company				
A designer, importer, and wholesaler of home décor and seasonal gift products.				
12% Senior Subordinated Note due 2015		\$938,651 10/31/07	903,275	703,988
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	—
			1,060,085	703,988
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 2019		\$ 1,484,249 07/05/13	1,455,468	1,477,885
		147,727		
Limited Liability Company Unit Class A (B)		shs. 07/05/13	147,727	140,341
			1,603,195	1,618,226

Truck Bodies & Equipment International

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	\$1,222,698	*	1,193,257	1,211,947
Preferred Stock Series B (B)	128 shs.	10/20/08	127,677	325,146
Common Stock (B)	393 shs.	*	423,985	—
Warrant, exercisable until 2017, to purchase common stock at \$.02 per share (B)	81 shs.	*	84,650	—
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	558 shs.	10/20/08	—	—
* 07/19/05 and 12/22/05.			1,829,569	1,537,093

Babson Capital Participation Investors
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2013
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
TruStile Doors, Inc. A manufacturer and distributor of interior doors.				
Limited Liability Company Unit (B)	5,888 uts.	02/28/11	\$93,750	\$222,088
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	3,060 shs.	04/11/03	36,032	50,592
			129,782	272,680
U-Line Corporation 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	177,461
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	122 shs.	04/30/04	112,106	224,587
			208,506	402,048
U M A Enterprises, Inc. An importer and wholesaler of home décor products.				
Convertible Preferred Stock (B)	470 shs.	02/08/08	469,565	1,050,350
Vioneering, Inc. A designer and manufacturer of tooling and fixtures for the aerospace industry.				
10.5% Senior Secured Term Loan due 2015	\$414,706	05/17/07	414,552	415,863
13% Senior Subordinated Note due 2014	\$370,588	05/17/07	364,863	370,588
18% PIK Convertible Preferred Stock (B)	21,361 shs.	03/13/09	41,440	81,678
Common Stock (B)	70,588 shs.	05/17/07	70,588	195,137
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	20,003 shs.	05/17/07	31,460	55,297
			922,903	1,118,563
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	439,668
	383,011			
Limited Liability Company Unit Class A (B)	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	439,668
Wellborn Forest Holding Company				

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A manufacturer of semi-custom kitchen and bath cabinetry.

12.13% Senior Subordinated Note due 2016	\$911,250	11/30/06	867,531	227,813
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	— 227,813

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
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	95,548
Common Stock (B)	353 shs.	06/08/10	353	5,460
			70,661	101,008
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	744,973	768,569
Common Stock (B)	205 shs.	12/16/10	205,480	110,394
Warrant, exercisable until 2018, to purchase common stock at \$.02 per share (B)	55 shs.	12/16/10	49,334	29,667
			999,787	908,630
Workplace Media Holding Company				
A direct marketer specializing in providing advertisers with access to consumers in the workplace.				
13% Senior Subordinated Note due 2015 (D)	\$654,247	05/14/07	601,454	—
Limited Partnership Interest (B)	12.26% int.	05/14/07	61,308	—
Warrant, exercisable until 2015, to purchase common stock at \$.02 per share (B)	47 shs.	05/14/07	44,186	—
			706,948	—
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	\$891,468	11/03/11	877,513	906,210
Common Stock (B)	1,500 shs.	11/03/11	150,000	191,881
			1,027,513	1,098,091
Total Private Placement Investments (E)			\$93,940,397	\$91,475,650

Babson Capital Participation Investors
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2013
(Unaudited)

	Interest	Due	Principal		Market
Corporate Restricted Securities: (A)	Rate	Date	Amount	Cost	Value
Rule 144A Securities - 9.45%:					