

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-30D

May 29, 2015

Babson Capital
Participation Investors

Report for the
Three Months Ended March 31, 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

Counsel to the Trust

Ropes & Gray LLP
Boston, Massachusetts 02110

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

Custodian

State Street Bank and Trust Company
Boston, Massachusetts 02116

Investment Objective and Policy

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

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

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

Form N-Q

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

Proxy Voting Policies & Procedures; Proxy Voting Record

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

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.

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

Babson Capital Participation Investors

TO OUR SHAREHOLDERS

April 30, 2015

We are pleased to present the March 31, 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 May 15, 2015 to shareholders of record on May 1, 2015. The Trust paid a \$0.27 per share dividend for the preceding quarter. The Trust earned \$0.24 per share of net investment income, including \$0.03 per share of non-recurring income, for the first quarter of 2015, compared to \$0.26 per share, including \$0.03 per share of non-recurring income, in the previous quarter.

During the first quarter, the net assets of the Trust increased to \$143,704,328 or \$13.93 per share compared to \$137,568,919 or \$13.35 per share on December 31, 2014. This translates into a 4.3% 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 15.2%, 14.3%, 14.4%, 12.1% and 12.4% for the 1, 3, 5, 10, and 25-year periods, respectively, based on the change in the Trust's net assets assuming the reinvestment of all dividends.

The Trust's share price decreased 8.3% during the quarter, from \$13.23 per share as of December 31, 2014 to \$12.13 per share as of March 31, 2015. The Trust's market price of \$12.13 per share equates to a 12.9% discount to the March 31, 2015 net asset value per share of \$13.93. The Trust's average quarter-end premium for the 3, 5 and 10-year periods was 7.2%, 11.6% and 8.9%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, increased 4.3% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, increased 2.5% for the quarter.

The Trust closed five new private placement investments during the first quarter. The five new investments were in AFC - Dell Holding Corporation, Animal Supply Company, Compass Chemical International LLC, Tristar Global Energy Solutions, Inc. and York Wall Holding Company. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in these transactions was \$7,746,000.

It was an active first quarter for the Trust in terms of new investments. Middle market merger and acquisition activity, a key driver of deal flow for the Trust, was steady during the quarter. We expect deal flow to remain steady for the rest of the year, assuming no significant external shocks to the market, so we are optimistic about the level of new investment activity for the Trust through year end. The dark cloud on the horizon though, continues to be the high purchase prices and leverage levels that are common in buyout transactions today. Average purchase price multiples for small companies continue to be at their highest levels in the past 15 years. Leverage multiples are also elevated and are near their highs of the past 15 years as well. 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 first quarter. We had significantly more credit upgrades than downgrades during the quarter. The number of companies on our watch list and in default continues to be at or near the lowest level we have seen over the last five years. We successfully exited five investments and benefited from dividends associated with the recapitalization of one company during the quarter. We realized significant gains from these transactions. We continue to have a backlog of portfolio companies that are in the

process of being sold, with a number of these expected to close this year. We had five 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.

(Continued)

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The Trust was able to maintain its \$0.27 per share quarterly dividend for the first quarter even though net investment income per share, excluding non-recurring income, was once again below the dividend rate. Net investment income per share from recurring sources has been below the dividend rate for every quarter since the second quarter of 2012. As we have discussed in prior reports, net investment income is down due principally to the considerable reduction in the number of private debt securities in the portfolio resulting from the high level of exit and prepayment activity that has occurred in recent quarters. We have been able to maintain the \$0.27 per share quarterly dividend with current income, non-recurring income and earnings carried forward from prior quarters. Over time, however, the Trust's dividend-paying ability tends to be correlated with its recurring earnings capacity. Absent non-recurring income, earnings available for the quarterly dividend would have been \$0.21 per share for the first quarter. This quarter, the Trust earned an additional \$0.03 per share of non-recurring income, and utilized \$0.03 per share of earnings carry-forwards to maintain the \$0.27 per share quarterly dividend. The Trust continues to have available earnings carry-forwards which should be available to supplement recurring income for the next few quarters. Unless market conditions change dramatically though, it is still unlikely that we will be able to rebuild the portfolio back to its former size in the near term and grow net investment income. As a result, it is likely that in 2015 we will have to reduce the dividend from the current \$0.27 per share quarterly rate. As we move through 2015, we and the Board of Trustees will continue to evaluate the current and future earnings capacity of the Trust and formulate a dividend strategy that is consistent with that earnings level.

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

Sincerely,

Michael L. Klofas
President

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

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

Babson Capital Participation Investors

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

March 31, 2015

(Unaudited)

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$87,663,033)	\$ 88,118,442
Corporate restricted securities at market value (Cost - \$22,511,664)	22,776,416
Corporate public securities at market value (Cost - \$39,448,753)	40,309,311
Short-term securities at amortized cost	1,999,839
Total investments (Cost - \$151,623,289)	153,204,008
Cash	5,850,169
Interest receivable	1,747,830
Other assets	25,840
Total assets	160,827,847

Liabilities:

Note payable	15,000,000
Payable for investments purchased	708,000
Deferred tax liability	584,505
Investment advisory fee payable	323,335
Tax payable	306,507
Interest payable	27,267
Accrued expenses	173,905
Total liabilities	17,123,519
Total net assets	\$ 143,704,328

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	3,461,531
Accumulated net realized gain on investments	952,468
Net unrealized appreciation of investments	996,214
Total net assets	\$ 143,704,328
Common shares issued and outstanding (14,787,750 authorized)	10,314,898
Net asset value per share	\$ 13.93

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF OPERATIONS
For the three months ended March 31, 2015 (Unaudited)

Investment Income:	
Interest	\$3,243,338
Dividends	61,779
Other	3,463
Total investment income	3,308,580
Expenses:	
Investment advisory fees	323,335
Interest	153,375
Professional fees	58,216
Trustees' fees and expenses	24,000
Reports to shareholders	18,000
Custodian fees	8,064
Other	18,838
Total expenses	603,828
Investment income - net	2,704,752
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	1,623,253
Income tax expense	(17,841)
Net realized gain on investments after taxes	1,605,412
Net change in unrealized appreciation of investments before taxes	1,814,902
Net change in deferred income tax expense	(174,886)
Net change in unrealized appreciation of investments after taxes	1,640,016
Net gain on investments	3,245,428
Net increase in net assets resulting from operations	\$5,950,180

See Notes to Consolidated Financial Statements

Babson Capital Participation Investors

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2015

(Unaudited)

Net decrease in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$4,501,672
Purchases of portfolio securities	(13,894,634)
Proceeds from disposition of portfolio securities	10,426,819
Interest, dividends and other income received	2,764,108
Interest expense paid	(153,375)
Operating expenses paid	(497,837)
Income taxes paid	(1,159,619)
Net cash provided by operating activities	1,987,134

Cash flows from financing activities:

Cash dividends paid from net investment income	(2,781,293)
Receipts for shares issued on reinvestment of dividends	185,229
Net cash used for financing activities	(2,596,064)

Net decrease in cash	(608,930)
Cash - beginning of year	6,459,099
Cash - end of period	\$5,850,169

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

Net increase in net assets resulting from operations	\$5,950,180
Increase in investments	(3,380,455)
Increase in interest receivable	(268,318)
Increase in other assets	(7,997)
Increase in payable for investments purchased	708,000
Increase in deferred tax liability	174,886
Increase in investment advisory fee payable	13,805
Decrease in tax payable	(1,141,778)
Decrease in accrued expenses	(61,189)
Total adjustments to net assets from operations	(3,963,046)
Net cash provided by operating activities	\$1,987,134

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the three months ended 03/31/2015 (Unaudited)	For the year ended 12/31/2014
Increase in net assets:		
Operations:		
Investment income - net	\$2,704,752	\$10,671,491
Net realized gain on investments after taxes	1,605,412	5,032,760
Net change in unrealized appreciation of investments after taxes	1,640,016	800,181
Net increase in net assets resulting from operations	5,950,180	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 - \$0.00 per share; 2014 - \$0.96 per share)	—	(9,866,694)
Net realized gains (2015 - \$0.00 per share; 2014 - \$0.12 per share)	—	(1,236,130)
Total increase in net assets	6,135,409	6,153,511
Net assets, beginning of year	137,568,919	131,415,408
Net assets, end of period/year (including undistributed net investment income of \$3,461,531 and \$756,779, respectively)	\$143,704,328	\$137,568,919

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	For the years ended December 31,			
	three months ended 03/31/2015 (Unaudited)	2014	2013	2012	2011
Net asset value:					
Beginning of year	\$ 13.35	\$ 12.83	\$ 12.56	\$ 11.90	\$ 11.89
Net investment income (a)	0.26	1.04	1.00	1.08	1.14
Net realized and unrealized gain (loss) on investments	0.31	0.57	0.35	0.64	0.08
Total from investment operations	0.57	1.61	1.35	1.72	1.22
Dividends from net investment income to common shareholders	—	(0.96)	(1.08)	(1.04)	(1.23)
Dividends from realized gain on investments to common shareholders	—	(0.12)	—	(0.04)	(0.00)(b)
Increase from dividends reinvested	0.01	(0.01)	(0.00)(b)	0.02	0.02
Total dividends	0.01	(1.09)	(1.08)	(1.06)	(1.21)
Net asset value: End of period/year	\$ 13.93	\$ 13.35	\$ 12.83	\$ 12.56	\$ 11.90
Per share market value:					
End of period/year	\$ 12.13	\$ 13.23	\$ 12.88	\$ 13.91	\$ 15.85
Total investment return					
Net asset value (c)	4.34%	13.61%	10.97%	15.89%	10.56%
Market value (c)	(8.31)%	12.54%	0.47%	(4.54%)	24.16%
Net assets (in millions):					
End of period/year	\$ 143.70	\$ 137.57	\$ 131.42	\$ 127.87	\$ 120.32
Ratio of total expenses to average net assets	1.79%(e)	2.84%(e)	2.15%	2.83%	2.18%
Ratio of operating expenses to average net assets	1.30%(e)	1.49%(e)	1.51%	1.51%	1.42%
Ratio of interest expense to average net assets	0.44%(e)	0.45%(e)	0.47%	0.49%	0.56%
Ratio of income tax expense to average net assets (d)	0.05%(e)	0.90%(e)	0.17%	0.83%	0.20%
Ratio of net investment income to average net assets	7.82%(e)	7.82%(e)	7.77%	8.82%	9.33%
Portfolio turnover	7%	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.

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(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	\$ 10,536	\$ 10,347	\$ 9,761	\$ 9,525	\$ 9,021

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2015

(Unaudited)

Corporate Restricted Securities - 77.17%: (A)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
P r i v a t e P l a c e m e n t				
Investments - 61.32%				
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	\$ 680,877	10/17/12	\$ 670,806	\$ 671,900
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	83,636
			784,440	755,536
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	\$ 1,049,256	12/20/13	1,031,204	1,059,749
Limited Liability Company Unit Class A (B)	3,094 uts.	*	153,704	310,149
Limited Liability Company Unit Class B (B)	1,479 uts.	10/09/09	52,999	148,258
* 10/09/09 and 12/20/13.			1,237,907	1,518,156
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 05/15/2015 (D)	\$ 420,000	05/15/08	413,944	210,000
13% Senior Subordinated Note due 05/15/2015 (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.				
A manufacturer of mine and tunneling ventilation products in the U.S.				
	\$ 181,818	08/01/12	167,780	183,636

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13% Senior Subordinated
Note due 07/31/2019

Preferred Stock Series A (B)	125,000 shs.	08/01/12	125,000	267,789
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Warrant, exercisable until
2022, to purchase

common stock at \$.02 per share (B)	22,414 shs.	08/01/12	42,446	45,820
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			335,226	497,245
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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.

14% Senior Subordinated

Note due 12/07/2018	\$ 1,134,615	12/07/12	1,122,532	1,145,961
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Limited Liability Company

Unit (B)	1,431 uts.	*	143,077	200,983
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* 12/07/12 and 07/11/13.			1,265,609	1,346,944
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Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Advanced Technologies Holdings				
A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	332 shs.	12/27/07	\$ 164,016	\$ 504,839
Convertible Preferred Stock Series B (B)	28 shs.	01/04/11	21,600	42,327
			185,616	547,166
AFC - Dell Holding Corporation				
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	\$ 1,181,250	03/27/15	1,157,666	1,180,785
Preferred Stock (B)	1,122 shs.	03/27/15	112,154	106,546
Common Stock (B)	346 shs.	03/27/15	346	329
			1,270,166	1,287,660
Airxcel Holdings				
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	\$ 1,444,973	11/18/14	1,417,444	1,467,174
Limited Liability Company Unit	288 uts.	11/18/14	288,000	288,414
			1,705,444	1,755,588
American Hospice Management Holding LLC				
A for-profit hospice care provider in the United States.				
12% Senior Subordinated				
Note due 03/31/2020 (D)	\$ 1,237,502	*	1,237,364	1,237,502
Preferred Class A Unit (B)	1,706 uts.	**	170,600	—
Preferred Class B Unit (B)	808 uts.	06/09/08	80,789	82,044
Common Class B Unit (B)	16,100 uts.	01/22/04	1	—
Common Class D Unit (B)	3,690 uts.	09/12/06	—	—
			1,488,754	1,319,546
* 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	344,334
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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% Senior Subordinated

Note due 09/05/2019	\$ 1,725,000	03/30/15	1,699,156	1,698,894
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Arch Global Precision LLC

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

Limited Liability Company

Unit Class B (B)	20 uts.	12/21/11	28,418	96,609
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Limited Liability Company

Unit Class C (B)	230 uts.	12/21/11	221,582	962,404
			250,000	1,059,013

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
ARI Holding Corporation				
A leading national supplier of products used primarily by specialty contractors.				
11.5% Senior Subordinated Note due 02/01/2020				
	\$ 1,698,197	*	\$ 1,673,777	\$ 1,718,850
Limited Partnership Interest				
	524 uts.	08/01/14	523,950	505,751
* 05/21/13 and 08/01/14.				
			2,197,727	2,224,601
Arrow Tru-Line Holdings, Inc.				
A manufacturer of hardware for residential and commercial overhead garage doors in North America.				
Preferred Stock (B)				
	27 shs.	10/16/09	26,825	105,183
Common Stock (B)				
	213 shs.	05/18/05	212,588	64,387
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)				
	56 shs.	05/18/05	47,929	16,880
			287,342	186,450
Avantech Testing Services LLC				
A manufacturer of custom Non-Destructive Testing ("NDT") systems and provider of NDT and inspections services primarily to the oil country tubular goods market.				
15% Senior Subordinated Note due 07/31/2021				
	\$ 505,280	07/31/14	496,232	437,022
Limited Liability Company Unit				
	36,964 uts.	07/31/14	369,643	335,394
			865,875	772,416
Blue Wave Products, Inc.				
A distributor of pool supplies.				
10% Senior Secured Term Note due 09/30/2018				
	\$ 278,014	10/12/12	274,359	278,014
13% Senior Subordinated Note due 09/30/2019				
	\$ 325,673	10/12/12	307,992	332,187
Common Stock (B)				
	51,064 shs.	10/12/12	51,064	130,718
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)				
	20,216 shs.	10/12/12	20,216	51,751
			653,631	792,670

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	264,417
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Limited Liability Company

Unit Class B (B)	167 uts.	10/17/12	166,666	217,112
			208,333	481,529

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 06/30/2015	\$	1,207,902	06/30/06	1,205,503	1,207,902
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Preferred Stock Class A (B)		465 shs.	06/30/06	141,946	—
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Common Stock (B)		1 sh.	06/30/06	152	—
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Warrant, exercisable until

2015, to purchase

common stock at \$.01 per

share (B)		164 shs.	06/30/06	48,760	—
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				1,396,361	1,207,902
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Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	*	\$ 1,344,932	\$ 1,446,895
Preferred Stock (B)	1,350 shs.	*	134,972	148,279
Preferred Stock (B)	489 shs.	*	48,721	53,743
Common Stock (B)	140 shs.	*	14,864	49,629
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	58 shs.	*	5,430	20,614
* 05/09/13 and 11/01/13.			1,548,919	1,719,160
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 01/19/2018	\$ 759,373	01/19/11	736,969	759,373
14% Senior Subordinated Note due 08/03/2019	\$ 197,855	08/03/12	195,122	199,834
Common Stock (B)	375 shs.	01/19/11	37,500	53,958
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	295 shs.	01/19/11	29,250	42,414
			998,841	1,055,579
Church Services Holding Company				
A provider of diversified residential services to homeowners in the Houston, Dallas, and Austin markets.				
14.5% Senior Subordinated Note due 03/26/2018	\$ 424,765	03/26/12	416,456	424,765
10% Senior Subordinated Note due 09/12/2015	\$ 6,330	09/15/14	6,330	6,341
Common Stock (B)	1,327 shs.	*	132,700	114,137

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Warrant, exercisable until 2022, to purchase

common stock at \$.01 per share

(B)	57 shs.	03/26/12	5,740	4,903
* 03/26/12, 05/25/12 and 06/19/12.			561,226	550,146

Clarion Brands Holding Corp.

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 \$ 1,579,965 10/01/14 1,550,043 1,597,245

Common Stock (B) 1,568 shs. 10/01/14 156,818 101,933

1,706,861 1,699,178

Clough, Harbour and Associates

An engineering service firm that is located in Albany, NY.

Preferred Stock (B) 147 shs. 12/02/08 146,594 386,035

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	\$ 1,497,159	03/04/15	\$ 1,467,337	\$ 1,505,930
Limited Liability Company Unit (B)	230 uts.	03/04/15	230,000 1,697,337	218,500 1,724,430
Connecticut Electric, Inc. A supplier and distributor of electrical products sold into the retail and wholesale markets.				
Limited Liability Company Unit Class A (B)	82,613 uts.	01/12/07	82,613	75,779
Limited Liability Company Unit Class C (B)	59,756 uts.	01/12/07	59,756	58,740
Limited Liability Company Unit Class D (B)	671,525 uts.	05/03/10	—	764,819
Limited Liability Company Unit Class E (B)	1,102 uts.	05/03/10	— 142,369	— 899,338
Crane Rental Corporation A crane rental company since 1960, headquartered in Florida.				
13% Senior Subordinated Note due 11/30/2015	\$ 695,250	08/21/08	685,923	695,250
Common Stock (B)	135,000 shs.	08/21/08	135,000	131,042
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	72,037 shs.	08/21/08	103,143 924,066	69,925 896,217
CTM Holding, Inc. A leading owner and operator of coin-operated children's rides, penny presses and candy kiosks in the U.S.				
15% Senior Subordinated Note due 11/22/2019	\$ 1,230,793	11/22/13	1,210,799	1,255,409
Common Stock (B)	31,044 shs.	11/22/13	443,182 1,653,981	351,092 1,606,501
Custom Engineered Wheels, Inc.				

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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	180,421
Preferred Stock Series A (B)	114 shs.	10/27/09	104,374	131,819
Common Stock (B)	38 shs.	10/26/09	38,244	—
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	28 shs.	10/27/09	25,735	—
			324,821	312,240

DPL Holding Corporation

A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.

14% Senior Subordinated Note due 05/04/2019	\$ 1,355,790	05/04/12	1,337,839	1,369,348
Preferred Stock (B)	25 shs.	05/04/12	252,434	299,750
Common Stock (B)	25 shs.	05/04/12	28,048	141,682
			1,618,321	1,810,780

Babson Capital Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2015

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Dunn Paper				
A provider of specialty paper for niche product applications.				
11.25% Senior Subordinated Note due 06/30/2020	\$ 1,463,636	12/30/14	\$ 1,435,350	\$ 1,476,340
Preferred Stock (B)	261 shs.	12/30/14	261,364	248,292
			1,696,714	1,724,632
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	348,365
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.				
Common Stock (B)	50 shs.	02/01/10	50,000	92,355
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	119 shs.	02/01/10	107,100	220,211
			157,100	312,566
ECG Consulting Group				
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	\$ 1,297,229	11/19/14	1,268,999	1,315,413
Limited Liability Company Unit (B)	230 uts.	11/19/14	71,875	63,514
			1,340,874	1,378,927
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 07/26/2019	\$ 441,985	07/26/13	434,941	450,824
Common Stock (B)	1,535 shs.	07/26/13	153,474	237,819
			588,415	688,643
ERG Holding Company LLC				

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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	\$	944,278	04/04/14	928,071	945,855
Common Stock (B)		31 shs.	04/04/14	77,533	77,525
				1,005,604	1,023,380

F F C Holding Corporation

A leading U.S. manufacturer of private label frozen novelty and ice cream products.

Limited Liability Company

Unit Preferred (B)		171 uts.	09/27/10	58,345	68,601
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Limited Liability Company

Unit (B)		171 uts.	09/27/10	17,073	146,331
				75,418	214,932

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2015

(Unaudited)