

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-Q

November 27, 2013

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

FORM N-Q

Quarterly Schedule of Portfolio Holdings of
Registered Management Investment Company

Investment Company Act file number 811-05531

Babson Capital Participation Investors

(Exact name of registrant as specified in charter)

1500 Main Street, Springfield, MA 01115

(Address of principal executive offices) (Zip code)

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

(Name and address of agent for service)

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

Date of fiscal year end: 12/31

Date of reporting period: 09/30/13

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

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| | | | | |
|---|--------------|----------|-------------------|-------------------|
| 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 |
| Apex Analytix Holding Corporation | | | | |

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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 |
| Common Stock (B) | | 08/21/08 | 135,000 | 157,227 |

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| | | | | |
|---|-------------|----------|----------------------|---------------------|
| | 135,000 | | | |
| | shs. | | | |
| 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 |

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

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

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

| | | | | |
|--|---------|----------|--------|--------|
| Limited Liability Company Unit Preferred (B) | 76 uts. | 10/05/12 | 75,920 | 80,467 |
|--|---------|----------|--------|--------|

| | | | | |
|--|--|--|--------|--------|
| | | | 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 |
| | | | | 634,519 |
| Healthcare Direct Holding Company | | | | |

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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. | | | | |
| 12% Senior Subordinated Note due 2016 | \$ 1,098,837 | 08/19/08 | 1,057,909 | 1,060,814 |
| Common Stock (B) | 251 shs. | 08/19/08 | 251,163 | 71,314 |
| Warrant, exercisable until 2016, to purchase | | | | |

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| | | | | |
|--|--------------|----------|-----------|-----------|
| common stock at \$.01 per share (B) | 65 shs. | 08/19/08 | 60,233 | 18,433 |
| | | | 1,369,305 | 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 | \$ 1,159,519 | 09/27/12 | 1,138,857 | 1,146,133 |
| Preferred Stock Series A (B) | 1,127 shs. | 09/27/12 | 112,726 | 123,393 |
| Common Stock (B) | 910 shs. | 09/27/12 | 910 | 7,779 |
| | | | 1,252,493 | 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 |
|------------------|-----------------|----------|---------|---------|

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 |

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

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| | | | | |
|---|----------|----------|---------------------|----------------------|
| Saw Mill PCG Partners LLC (B) Limited Liability Company Unit Class D-2 of | 121 uts. | 09/30/09 | 121,160 | 227,849 |
| Saw Mill PCG Partners LLC (B) * 12/18/08 and 09/30/09. | 68 uts. | 04/29/11 | 34,547 1,770,360 | 234,385 1,470,623 |

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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 |
|---|---|------------------|-----------|------------|
| 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. | | | | |
| Limited Liability Company Unit (B) | 1,942 uts. | 01/17/06 | 302,885 | 848,861 |

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| | | | | |
|--|----------|----------|-------------------|--------------------|
| 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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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 |
|--|---|------------------|-----------|------------|
| 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. | | | | |
| 15% Senior Subordinated Note due 2018 | \$843,750 | * | 832,951 | 853,635 |

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

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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 |
|---|---|------------------|------------|------------|
| 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 | 92,362 |
| | | | 212,109 | 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 | 34,727 |
| | | | 1,241,645 | 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 | 14,380 |
| | | | 1,136,793 | 1,110,147 |
| Syneract 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 |
| Redeemable Preferred Stock Series A (B) | 678 shs. | 09/02/08 | 6,630 | — |
| Warrant, exercisable until 2018, to purchase | | | | |

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

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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 |

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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 |
|---|---|------------------|-----------|------------|
| 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 |
| Visioneering, 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 |
| Limited Liability Company Unit Class A (B) | 383,011 uts. | * | 229,353 | — |
| Limited Liability Company Unit Class B (B) | 96,848 uts. | 07/19/04 | 96,848 | — |
| * 07/19/04 and 10/29/09. | | | 923,711 | 439,668 |
| Wellborn Forest Holding Company | | | | |
| A manufacturer of semi-custom kitchen and bath cabinetry. | | | | |

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

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

| Corporate Restricted Securities: (A) (Continued) | Interest Rate | Due Date | Principal Amount | Cost | Market Value |
|---|------------------|-------------|---------------------|-------------------|-------------------|
| Rule 144A Securities - 9.45%: | | | | | |
| Bond 9.45% | | | | | |
| AAR Corporation | 7.250 | 01/15/22 | \$ 500,000 | \$ 535,961 | \$ 521,250 |
| ADT Corporation | 6.250 | 10/15/21 | 930,000 | 930,000 | 943,950 |
| ArcelorMittal | 6.125 | 06/01/18 | 500,000 | 512,576 | 530,000 |
| Coeur d'Alene Mines Corporation | 7.875 | 02/01/21 | 500,000 | 501,863 | 505,000 |
| Cornerstone Chemical Company | 9.375 | 03/15/18 | 375,000 | 384,452 | 392,813 |
| First Data Corporation | 7.375 | 06/15/19 | 250,000 | 250,000 | 263,125 |
| FMG Resources | 7.000 | 11/01/15 | 250,000 | 255,315 | 257,500 |
| Forum Energy Technologies | 6.250 | 10/01/21 | 160,000 | 160,000 | 161,000 |
| Hercules Offshore, Inc. | 7.500 | 10/01/21 | 750,000 | 750,000 | 750,000 |
| Hilcorp Energy Company | 7.625 | 10/01/21 | 325,000 | 312,553 | 347,750 |
| Hilton Worldwide Holdings, Inc. | 5.625 | 10/15/21 | 750,000 | 750,000 | 751,875 |
| J.B. Poindexter Co., Inc. | 9.000 | 04/01/22 | 500,000 | 500,000 | 525,000 |
| LBC Tank Terminals Holding Netherlands B.V. | 6.875 | 05/15/23 | 663,000 | 684,539 | 666,314 |
| Lear Corporation | 4.750 | 01/15/23 | 375,000 | 367,793 | 347,813 |
| Linn Energy, LLC | 8.625 | 04/15/20 | 500,000 | 504,948 | 516,875 |
| MEG Energy Corporation | 6.375 | 01/30/23 | 500,000 | 500,000 | 490,000 |
| MEG Energy Corporation | 7.000 | 03/31/24 | 500,000 | 500,000 | 503,125 |
| NXP BV/NXP Funding LLC | 3.750 | 06/01/18 | 750,000 | 750,000 | 731,250 |
| Penske Corporation | 4.875 | 07/11/22 | 500,000 | 498,066 | 509,176 |
| RKI Inc. | 8.500 | 08/01/21 | 500,000 | 502,479 | 502,500 |
| Safway Group Holding LLC/Finance Corporation | 7.000 | 05/15/18 | 250,000 | 250,000 | 253,750 |
| Samson Investment Company | 9.750 | 02/15/20 | 350,000 | 344,290 | 371,000 |
| Sirius XM Radio Inc. | 5.875 | 10/01/20 | 445,000 | 445,000 | 448,894 |
| Sprint Corporation | 7.875 | 09/15/23 | 500,000 | 500,000 | 510,000 |
| Univision Communications | 5.125 | 05/15/23 | 160,000 | 160,000 | 153,200 |
| Valeant Pharmaceuticals International | 7.000 | 10/01/20 | 250,000 | 250,742 | 265,000 |
| Welltec A/S | 8.000 | 02/01/19 | 375,000 | 368,715 | 399,375 |
| Total Bonds | | | | 12,469,292 | 12,617,535 |

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

| Corporate Restricted Securities: (A) (Continued) | Interest Rate | Due Date | Shares | Cost | Market Value |
|---|------------------|-------------|--------|----------------|-----------------|
| Convertible Preferred Stock - 0.00% | | | | | |
| ETEX Corporation (B) | | | 194 | — | — |
| Total Convertible Preferred Stock | | | | — | — |
| Preferred Stock - 0.00% | | | | | |
| TherOX, Inc. (B) | | | 26 | — | — |
| Total Preferred Stock | | | | — | — |
| Common Stock - 0.00% | | | | | |
| Touchstone Health Partnership (B) | | | 292 | — | — |
| Total Common Stock | | | | — | — |
| Total Rule 144A Securities | | | | 12,469,292 | 12,617,535 |
| Total Corporate Restricted Securities | | | | \$ 106,409,689 | \$ 104,093,185 |

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

| Corporate Public Securities - 23.88%: (A) | Interest Rate | Due Date | Principal Amount | Cost | Market Value |
|--|------------------|-------------|---------------------|------------|-----------------|
| Bonds -23.86% | | | | | |
| Accuride Corp | 9.500 | % 08/01/18 | \$ 500,000 | \$ 484,110 | \$ 521,250 |
| Alcoa, Inc. | 6.150 | 08/15/20 | 600,000 | 627,312 | 625,933 |
| Alliant Techsystems Inc. | 6.875 | 09/15/20 | 500,000 | 534,205 | 530,000 |
| Ally Financial, Inc. | 5.500 | 02/15/17 | 750,000 | 762,684 | 787,099 |
| Alta Mesa Financial Services | 9.625 | 10/15/18 | 750,000 | 729,473 | 791,250 |
| Anglogold Holdings PLC | 5.375 | 04/15/20 | 600,000 | 604,816 | 536,001 |
| Avis Budget Car Rental | 9.750 | 03/15/20 | 375,000 | 375,000 | 432,187 |
| B E Aerospace, Inc. | 6.875 | 10/01/20 | 250,000 | 256,170 | 273,125 |
| B&G Foods, Inc. | 4.625 | 06/01/21 | 440,000 | 440,000 | 420,200 |
| Bank of America Corporation | 5.875 | 01/05/21 | 600,000 | 621,397 | 680,002 |
| Bill Barrett Corporation | 7.000 | 10/15/22 | 500,000 | 480,535 | 483,750 |
| Brunswick Corporation | 7.125 | 08/01/27 | 500,000 | 504,777 | 518,750 |
| C R H America, Inc. | 5.300 | 10/15/13 | 500,000 | 499,138 | 500,756 |
| Calumet Specialty Products Partners L.P. | 9.375 | 05/01/19 | 375,000 | 352,956 | 411,563 |
| Calumet Specialty Products Partners L.P. | 9.625 | 08/01/20 | 500,000 | 491,921 | 552,500 |
| CCO Holdings Capital Corporation | 5.250 | 09/30/22 | 500,000 | 495,403 | 462,500 |
| Centurytel, Inc. | 5.000 | 02/15/15 | 500,000 | 504,934 | 520,000 |
| CHC Helicopter SA | 9.250 | 10/15/20 | 1,000,000 | 933,935 | 1,065,000 |
| CIT Group, Inc. | 5.000 | 08/15/22 | 500,000 | 500,000 | 488,750 |
| Clearwater Paper Corporation | 4.500 | 02/01/23 | 500,000 | 495,200 | 450,000 |
| Commercial Metals Company | 4.875 | 05/15/23 | 750,000 | 751,530 | 675,000 |
| Continental Resources, Inc. | 5.000 | 09/15/22 | 500,000 | 510,802 | 503,125 |
| CVR Refining LLC | 6.500 | 11/01/22 | 350,000 | 337,824 | 339,938 |
| DaVita, Inc. | 5.750 | 08/15/22 | 500,000 | 500,000 | 494,375 |
| Duke Realty Limited Partnership | 3.875 | 10/15/22 | 500,000 | 507,519 | 475,677 |
| EnSCO PLC | 3.250 | 03/15/16 | 600,000 | 598,797 | 626,287 |
| EP Energy/EP Finance, Inc. | 9.375 | 05/01/20 | 500,000 | 507,683 | 562,500 |
| Equifax, Inc. | 4.450 | 12/01/14 | 500,000 | 504,828 | 519,475 |
| GATX Corporation | 4.750 | 05/15/15 | 500,000 | 500,371 | 526,060 |
| General Electric Capital Corporation | 5.500 | 01/08/20 | 500,000 | 498,637 | 566,684 |
| Headwaters, Inc. | 7.625 | 04/01/19 | 305,000 | 305,124 | 320,250 |
| Health Management Association | 6.125 | 04/15/16 | 250,000 | 255,015 | 273,125 |
| HealthSouth Corporation | 7.750 | 09/15/22 | 450,000 | 450,978 | 482,625 |
| Hertz Corporation | 6.750 | 04/15/19 | 220,000 | 217,248 | 232,650 |
| International Game Technology | 7.500 | 06/15/19 | 500,000 | 499,814 | 584,491 |
| Jabil Circuit, Inc. | 4.700 | 09/15/22 | 500,000 | 499,965 | 478,750 |
| Johnson Controls, Inc. | 5.500 | 01/15/16 | 500,000 | 459,320 | 546,801 |

| | | | | | |
|-------------------|-------|----------|---------|---------|---------|
| Kraft Foods, Inc. | 5.375 | 02/10/20 | 500,000 | 512,101 | 564,585 |
|-------------------|-------|----------|---------|---------|---------|

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

| Corporate Public Securities (A) | Interest Rate | Due Date | Principal Amount | Cost | Market Value |
|-----------------------------------|---------------|----------|------------------|------------|--------------|
| Lennar Corporation | 4.750 | 11/15/22 | \$ 375,000 | \$ 369,424 | \$ 345,000 |
| Masco Corporation | 7.125 | 03/15/20 | 350,000 | 349,998 | 394,625 |
| Meritor, Inc. | 6.750 | 06/15/21 | 1,000,000 | 1,000,000 | 990,000 |
| Morgan Stanley | 5.500 | 01/26/20 | 500,000 | 498,121 | 553,282 |
| NBC Universal Media LLC | 5.150 | 04/30/20 | 500,000 | 499,482 | 566,982 |
| Neustar Inc. | 4.500 | 01/15/23 | 375,000 | 363,289 | 336,563 |
| Nexeo Solutions LLC | 8.375 | 03/01/18 | 20,000 | 20,000 | 19,900 |
| Niska Gas Storage Partners LLC | 8.875 | 03/15/18 | 500,000 | 505,159 | 517,500 |
| Omnova Solutions, Inc. | 7.875 | 11/01/18 | 750,000 | 762,571 | 789,375 |
| Peabody Energy Corporation | 6.000 | 11/15/18 | 500,000 | 500,519 | 498,750 |
| Perry Ellis International, Inc. | 7.875 | 04/01/19 | 375,000 | 371,803 | 395,625 |
| Precision Drilling Corporation | 6.625 | 11/15/20 | 250,000 | 256,911 | 264,375 |
| Qwest Diagnostic, Inc. | 4.750 | 01/30/20 | 500,000 | 499,081 | 533,198 |
| ServiceMaster Company | 7.000 | 08/15/20 | 500,000 | 500,000 | 472,500 |
| Sprint Nextel Corporation | 6.000 | 12/01/16 | 500,000 | 509,571 | 530,000 |
| Steelcase, Inc. | 6.375 | 02/15/21 | 500,000 | 506,939 | 556,317 |
| Tech Data Corporation | 3.750 | 09/21/17 | 500,000 | 506,044 | 512,234 |
| Thermadyne Holdings Corporation | 9.000 | 12/15/17 | 250,000 | 262,723 | 269,375 |
| Time Warner Cable, Inc. | 5.000 | 02/01/20 | 500,000 | 492,928 | 506,260 |
| Tronox Finance LLC | 6.375 | 08/15/20 | 375,000 | 366,126 | 371,250 |
| Tyson Foods, Inc. | 4.500 | 06/15/22 | 500,000 | 515,076 | 518,961 |
| Unit Corporation | 6.625 | 05/15/21 | 500,000 | 494,386 | 512,500 |
| Verizon Communications Inc. | 5.150 | 09/15/23 | 1,000,000 | 996,769 | 1,071,786 |
| Weatherford International Limited | 4.500 | 04/15/22 | 500,000 | 519,706 | 494,854 |
| Total Bonds | | | | 30,778,148 | 31,844,226 |

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

| Corporate Public Securities (A) | Shares | Cost | Market Value | | |
|-----------------------------------|----------------------------------|---------------|------------------|----------------|----------------|
| Common Stock - 0.02% | | | | | |
| Intrepid Potash, Inc. (B) | 185 | \$ 5,920 | \$ 2,919 | | |
| Nortek, Inc. (B) | 100 | 1 | 6,876 | | |
| Rue21, Inc. (B) | 350 | 6,650 | 14,116 | | |
| Total Common Stock | | 12,571 | 23,911 | | |
| | | | | | |
| Total Corporate Public Securities | | \$ 30,790,719 | \$ 31,868,137 | | |
| | | | | | |
| Short-Term Securities: | Interest Rate/Yield [^] | Due Date | Principal Amount | Cost | Market Value |
| Commercial Paper - 6.59% | | | | | |
| Enbridge Energy Company, Inc. | 0.300 | % 10/18/13 | \$ 2,250,000 | \$ 2,249,681 | \$ 2,249,681 |
| FMC Corporation | 0.270 | 10/10/13 | 2,250,000 | 2,249,848 | 2,249,848 |
| Hewlett Packard Company | 0.429 | 10/29/13 | 2,000,000 | 1,999,331 | 1,999,331 |
| Pentair Finance SA | 0.279 | 10/22/13 | 2,292,000 | 2,291,626 | 2,291,626 |
| Total Short-Term Securities | | — | | \$ 8,790,486 | \$ 8,790,486 |
| | | | | | |
| Total Investments | 108.47 | % | | \$ 145,990,894 | \$ 144,751,808 |
| Other Assets | 6.00 | | | | 8,011,503 |
| Liabilities | (14.47 |) | | | (19,317,945) |
| Total Net Assets | 100.00 | % | | | \$ 133,445,366 |

- (A) In each of the convertible note, warrant, and common stock investments, the issuer has agreed to provide certain registration rights.
- (B) Non-income producing security.
- (C) Variable rate security; rate indicated is as of September 30, 2013.
- (D) Defaulted security; interest not accrued.
- (E) Illiquid security. As of September 30, 2013, the values of these securities amounted to \$91,475,650 or 68.55% of net assets.

[^] Effective yield at purchase
PIK Payment-in-kind

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

| Industry Classification: | Fair Value/ Market Value | Fair Value/ Market Value |
|---------------------------------|-----------------------------|--|
| AEROSPACE - 3.28% | | BROADCASTING & ENTERTAINMENT - 0.80% |
| A E Company, Inc. | \$ 422,962 | NBC Universal Media LLC |
| AAR Corporation | 521,250 | Time Warner Cable, Inc. |
| Alliant Techsystems Inc. | 530,000 | |
| | | 1,073,242 |
| B E Aerospace, Inc. | 273,125 | BUILDINGS & REAL ESTATE - 2.14% |
| | | Duke Realty Limited |
| Merex Holding Corporation | 600,392 | Partnership |
| Visioneering, Inc. | 1,118,563 | Lennar Corporation |
| Whitcraft Holdings, Inc. | 908,630 | Masco Corporation |
| | | Safway Group Holding |
| | 4,374,922 | LLC/Finance Corporation |
| | | Sunrise Windows Holding |
| AUTOMOBILE - 6.76% | | Company |
| Accuride Corp | 521,250 | TruStile Doors, Inc. |
| Avis Budget Car Rental | 432,187 | |
| CG Holdings Manufacturing | | 1,110,147 |
| Company | 1,293,920 | 272,680 |
| DPL Holding Corporation | 1,563,320 | 2,851,879 |
| | | CHEMICAL, PLASTICS & RUBBER - 2.22% |
| Ideal Tridon Holdings, Inc. | 159,765 | Capital Specialty Plastics, Inc. |
| J A C Holding Enterprises, Inc. | 289,219 | Cornerstone Chemical |
| Jason Partners Holdings LLC | 25,511 | Company |
| Johnson Controls, Inc. | 546,801 | Nicoat Acquisitions LLC |
| K & N Parent, Inc. | 1,344,068 | Omnova Solutions, Inc. |
| | | Tronox Finance LLC |
| | | 2,956,718 |
| Lear Corporation | 347,813 | CONSUMER PRODUCTS - 9.77% |
| Meritor, Inc. | 990,000 | AMS Holding LLC |
| Ontario Drive & Gear Ltd. | 992,180 | Baby Jogger Holdings LLC |
| | | Bravo Sports Holding |
| Penske Corporation | 509,176 | Corporation |
| | 9,015,210 | Clearwater Paper Corporation |
| | | Custom Engineered Wheels, Inc. |
| BEVERAGE, DRUG & FOOD - 7.49% | | 1,233,123 |
| 1492 Acquisition LLC | 1,308,235 | 450,000 |
| | | 487,836 |
| B&G Foods, Inc. | 420,200 | gloProfessional Holdings, Inc. |
| Eatem Holding Company | 1,134,767 | Handi Quilter Holding |
| | | Company |
| | | 634,519 |
| F F C Holding Corporation | 1,133,036 | K N B Holdings Corporation |
| Hospitality Mints Holding | | Manhattan Beachwear Holding |
| Company | 1,150,561 | Company |
| | | 1,132,789 |
| | | NXP BV/NXP Funding LLC |
| | | 731,250 |

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| | | | |
|----------------------------------|-----------|---------------------------------|------------|
| JMH Investors LLC | 1,192,951 | Perry Ellis International, Inc. | 395,625 |
| | | R A J Manufacturing Holdings | |
| Kraft Foods, Inc. | 564,585 | LLC | 415,729 |
| Snacks Parent Corporation | 1,016,040 | Tranzonic Companies (The) | 1,618,226 |
| Spartan Foods Holding Company | 1,212,687 | | 13,045,005 |
| Specialty Commodities, Inc. | 336,843 | | |
| Tyson Foods, Inc. | 518,961 | | |
| | 9,988,866 | | |

See Notes to Consolidated Financial Statements

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

| Industry Classification: (Continued) | Fair Value/ Market Value | Fair Value/ Market Value | |
|--|-----------------------------|--|------------|
| CONTAINERS, PACKAGING & GLASS - 4.48% | | DIVERSIFIED/CONGLOMERATE, SERVICE - 13.59% | |
| Flutes, Inc. | \$ 696,219 | ADT Corporation | \$ 943,950 |
| P K C Holding Corporation | 2,020,473 | A S C Group, Inc. | 248,561 |
| P P T Holdings LLC | 1,162,692 | A W X Holdings Corporation | 210,000 |
| Paradigm Packaging, Inc. | 1,012,468 | Advanced Technologies Holdings | 966,198 |
| Rose City Holding Company | 642,098 | Anglogold Holdings PLC | 536,001 |
| Vitex Packaging Group, Inc. | 439,668 | Apex Analytix Holding Corporation | 1,355,069 |
| | 5,973,618 | Bank of America Corporation | 680,002 |
| DISTRIBUTION - 5.57% | | C R H America, Inc. | 500,756 |
| ARI Holding Corporation | 1,641,011 | Church Services Holding Company | 531,065 |
| Blue Wave Products, Inc. | 706,243 | Clough, Harbour and Associates | 211,728 |
| BP SCI LLC | 1,242,001 | Crane Rental Corporation | 1,273,874 |
| Duncan Systems, Inc. | 591,871 | EPM Holding Company | 719,230 |
| Signature Systems Holding Company | 855,694 | ELT Holding Company | 996,758 |
| Stag Parkway Holding Company | 1,292,447 | Equifax, Inc. | 519,475 |
| WP Supply Holding Corporation | 1,098,091 | FMC Corporation | 2,249,848 |
| | 7,427,358 | Hilton Worldwide Holdings, Inc. | 751,875 |
| DIVERSIFIED/CONGLOMERATE, | | HVAC Holdings, Inc. | 1,277,305 |
| MANUFACTURING - 8.06% | | Insurance Claims Management, Inc. | 304,415 |
| A H C Holding Company, Inc. | 196,943 | Mail Communications Group, Inc. | 286,174 |
| Advanced Manufacturing Enterprises LLC | 1,158,080 | Nexeo Solutions LLC | 19,900 |
| Arrow Tru-Line Holdings, Inc. | 876,957 | Northwest Mailing Services, Inc. | 1,685,635 |
| C D N T, Inc. | 649,419 | Safety Infrastructure Solutions | 945,786 |
| F G I Equity LLC | 775,268 | ServiceMaster Company | 472,500 |
| G C Holdings | 653,247 | Sirius XM Radio Inc. | 448,894 |
| Hi-Rel Group LLC | 945,191 | | 18,134,999 |
| J.B. Poindexter Co., Inc. | 525,000 | ELECTRONICS - 3.42% | |
| K P H I Holdings, Inc. | 269,490 | Connecticut Electric, Inc. | 1,571,627 |
| K P I Holdings, Inc. | 171,359 | Hewlett Packard Company | 1,999,331 |
| LPC Holding Company | 146,673 | Jabil Circuit, Inc. | 478,750 |

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| | | | |
|---|------------|-----------------------|-----------|
| MEGTEC Holdings, Inc. | 562,141 | Tech Data Corporation | 512,234 |
| Nortek, Inc. | 6,876 | | 4,561,942 |
| O E C Holding Corporation | 481,820 | | |
| Postle Aluminum Company LLC | 1,802,683 | | |
| Truck Bodies & Equipment International | 1,537,093 | | |
| | 10,758,240 | | |

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2013

(Unaudited)

| Industry Classification: (Continued) | Fair Value/ Market Value | Fair Value/ Market Value |
|---|--------------------------------|---|
| FINANCIAL SERVICES - 5.99% | | LEISURE, AMUSEMENT, ENTERTAINMENT - 0.83% |
| Ally Financial, Inc. | \$787,099 | Brunswick Corporation |
| Alta Mesa Financial Services | 791,250 | International Game Technology |
| CIT Group, Inc. | 488,750 | |
| GATX Corporation | 526,060 | MACHINERY - 3.90% |
| General Electric Capital Corporation | 566,684 | ABC Industries, Inc. |
| LBC Tank Terminals Holding Netherlands B.V. | 666,314 | Arch Global Precision LLC |
| Morgan Stanley | 553,282 | E S P Holdco, Inc. |
| Pentair Finance SA | 2,291,626 | M V I Holding, Inc. |
| REVSpring, Inc. | 1,326,353 | Motion Controls Holdings |
| | 7,997,418 | NetShape Technologies, Inc. |
| HEALTHCARE, EDUCATION & CHILDCARE - 5.88% | | Pacific Consolidated Holdings LLC |
| American Hospice Management Holding LLC | 1,692,830 | Thermadyne Holdings Corporation |
| CHG Alternative Education Holding Company | 1,034,159 | Welltec A/S |
| DaVita, Inc. | 494,375 | |
| GD Dental Services LLC | 82,665 | MEDICAL DEVICES/BIOTECH - 1.43% |
| Healthcare Direct Holding Company | 700,622 | Health Management Association |
| HealthSouth Corporation | 482,625 | MedSystems Holdings LLC |
| Marshall Physicians Services LLC | 596,498 | MicroGroup, Inc. |
| Qwest Diagnostic, Inc. | 533,198 | NT Holding Company |
| SouthernCare Holdings, Inc. | 97,959 | Precision Wire Holding Company |
| Strata/WLA Holding Corporation | 239,787 | |
| Synteract Holdings Corporation | 1,792,654 | MINING, STEEL, IRON & NON-PRECIOUS |
| Wheaton Holding Corporation | 101,008 | METALS - 1.92% |
| | 7,848,380 | Alcoa, Inc. |
| HOME & OFFICE FURNISHINGS, HOUSEWARES, AND DURABLE CONSUMER PRODUCTS - 2.77% | | Commercial Metals Company |
| Connor Sport Court International, Inc. | 403,590 | Coeur d'Alene Mines Corporation |
| Home Décor Holding Company | 352,767 | FMG Resources |
| Steelcase, Inc. | 556,317 | Peabody Energy Corporation |
| Transpac Holding Company | 703,988 | |
| U-Line Corporation | 402,048 | NATURAL RESOURCES - 0.64% |
| U M A Enterprises, Inc. | 1,050,350 | ArcelorMittal |
| Wellborn Forest Holding Company | 227,813 | Headwaters, Inc. |
| | 3,696,873 | Intrepid Potash, Inc. |

See Notes to Consolidated Financial Statements

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

| Industry Classification: (Continued) | Fair Value/ Market Value | | Fair Value/ Market Value |
|---|-----------------------------|--------------------------------------|-----------------------------|
| | | TELECOMMUNICATIONS - 2.86% | |
| OIL & GAS - 10.60% | | | |
| Bill Barrett Corporation | \$ 483,750 | All Current Holding Company | \$ 240,806 |
| Calumet Specialty Products Partners L.P. | 964,063 | CCO Holdings Capital Corporation | 462,500 |
| Continental Resources, Inc. | 503,125 | Centurytel, Inc. | 520,000 |
| CVR Refining LLC | 339,938 | Neustar Inc. | 336,563 |
| Enbridge Energy Company, Inc. | 2,249,681 | Sprint Corporation | 510,000 |
| Ensco PLC | 626,287 | Sprint Nextel Corporation | 530,000 |
| EP Energy/EP Finance, Inc. | 562,500 | Univision Communications | 153,200 |
| Forum Energy Technologies | 161,000 | Verizon Communications Inc. | 1,071,786 |
| Hercules Offshore, Inc. | 750,000 | | 3,824,855 |
| Hilcorp Energy Company | 347,750 | TRANSPORTATION - 1.99% | |
| Linn Energy, LLC | 516,875 | CHC Helicopter SA | 1,065,000 |
| MBWS Ultimate Holdco, Inc. | 1,742,744 | Hertz Corporation | 232,650 |
| MEG Energy Corporation | 993,125 | MXN Holding Company | 1,253,968 |
| Niska Gas Storage Partners LLC | 517,500 | NABCO, Inc. | 101,379 |
| Petroplex Inv Holdings LLC | 1,246,236 | | 2,652,997 |
| Precision Drilling Corporation | 264,375 | WASTE MANAGEMENT / POLLUTION - 1.07% | |
| RKI Inc. | 502,500 | Torrent Group Holdings, Inc. | 1,435,016 |
| Samson Investment Company | 371,000 | | |
| Unit Corporation | 512,500 | | |
| Weatherford International Limited | 494,854 14,149,803 | | |
| | | Total Investments - 108.47% | \$ 144,751,808 |
| PHARMACEUTICALS - 0.40% | | | |
| CorePharma LLC | 267,235 | | |
| Valeant Pharmaceuticals International | 265,000 532,235 | | |
| RETAIL STORES - 0.01% | | | |
| Rue21, Inc. | 14,116 | | |
| TECHNOLOGY - 0.60% | | | |
| First Data Corporation | 263,125 | | |
| Smart Source Holdings LLC | 541,139 804,264 | | |

Fair Value Hierarchy

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

Level 1 – quoted prices in active markets for identical securities

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

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

The following is a summary of the inputs used to value the Trust’s net assets as of September 30, 2013:

| Assets: | Total | Level 1 | Level 2 | Level 3 |
|-----------------------|----------------|-----------|---------------|---------------|
| Restricted Securities | | | | |
| Corporate Bonds | \$ 78,585,465 | \$ — | \$ 12,617,535 | \$ 65,967,630 |
| Common Stock - U.S. | 9,872,663 | — | — | 9,872,663 |
| Preferred Stock | 6,572,212 | — | — | 6,572,212 |
| Partnerships and LLCs | 9,063,145 | — | — | 9,063,145 |
| Public Securities | | | | |
| Corporate Bonds | 31,844,226 | — | 31,844,226 | — |
| Common Stock - U.S. | 23,911 | 23,911 | — | — |
| Short-term Securities | 8,790,486 | — | 8,790,486 | — |
| Total | \$ 144,751,808 | \$ 23,911 | \$ 53,252,247 | \$ 91,475,650 |

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

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

| Assets: | Beginning balance at 12/31/2012 | Included in earnings | Purchases | Sales | Prepayments | Transfers in and/or out of Level 3 | Ending balance at 09/30/2013 |
|-----------------------|---------------------------------|----------------------|--------------|---------------|----------------|------------------------------------|------------------------------|
| Restricted Securities | | | | | | | |
| Corporate Bonds | \$81,060,756 | \$(1,398,381) | \$10,368,651 | \$(4,106,957) | \$(19,956,439) | \$— | \$65,967,630 |
| Common Stock - U.S. | 7,793,109 | 2,557,945 | 455,756 | (934,147) | — | — | 9,872,663 |
| Preferred Stock | 5,786,187 | 514,984 | 457,765 | (186,724) | — | — | 6,572,212 |
| Partnerships and LLCs | 6,890,276 | 1,826,287 | 595,428 | (248,846) | — | — | 9,063,145 |

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\$101,530,328 \$3,500,835 \$11,877,600 \$(5,476,674) \$(19,956,439) \$— \$91,475,650

ITEM 2. CONTROLS AND PROCEDURES.

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

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

ITEM 3. EXHIBITS.

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

SIGNATURES

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

(Registrant) Babson Capital Participation Investors

By (Signature and Title)*

/s/ Michael L. Klofas

Michael L. Klofas, President

Date November 27, 2013

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

By (Signature and Title)*

/s/ Michael L. Klofas

Michael L. Klofas, President

Date November 27, 2013

By (Signature and Title)*

/s/ James M. Roy

James M. Roy, Vice President and
Chief Financial Officer

Date November 27, 2013

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

