

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-Q

May 30, 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: 03/31/13

---

---

---

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS

Babson Capital Participation Investors

March 31, 2013

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 78.09%: (A)				
Private Placement Investments - 72.86%				
1492 Acquisition LLC				
A leading producer of premium Italian cured meats and deli meats in the U.S.				
14% Senior Subordinated Note due 2019	\$ 1,146,677	10/17/12	\$ 1,124,848	\$ 1,127,435
Limited Liability Company Unit Class A Common (B)	11,364 uts.	10/17/12	11,364	10,873
Limited Liability Company Unit Class A Preferred (B)	102 uts.	10/17/12	102,270	103,974
			1,238,482	1,242,282
A E Company, Inc.				
A designer and manufacturer of machined parts and assembly structures for the commercial and military aerospace industries.				
Common Stock (B)	184,615 shs.	11/10/09	184,615	403,583
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	92,308 shs.	11/10/09	68,566	201,793
			253,181	605,376
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	150,975
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.				
Limited Liability Company Unit Class A (B)	2,186 uts.	*	78,340	87,388
Limited Liability Company Unit Class B (B)	1,479 uts.	10/09/09	52,999	59,125
* 10/09/09 and 10/27/10.			131,339	146,513
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	315,000
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	315,000
ABC Industries, Inc.				
A manufacturer of mine and tunneling ventilation products in the U.S.				

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

13% Senior Subordinated Note due 2019	\$500,000	08/01/12	450,515	495,961
Preferred Stock Series A (B)	125,000 shs.	08/01/12	125,000	112,785
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	22,414 shs.	08/01/12	42,446 617,961	- 608,746

---

8

---

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>ACP Cascade Holdings LLC</b>				
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	\$-	\$-
<b>Advanced Manufacturing Enterprises LLC</b>				
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	1,118,177	1,120,653
Limited Liability Company Unit (B)	1,154 uts.	12/07/12	115,385	87,487
			1,233,562	1,208,140
<b>Advanced Technologies Holdings</b>				
A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	421 shs.	12/27/07	208,456	742,136
Convertible Preferred Stock Series B (B)	28 shs.	01/04/11	21,600	48,958
			230,056	791,094
<b>All Current Holding Company</b>				
A specialty re-seller of essential electrical parts and components primarily serving wholesale distributors.				
12% Senior Subordinated Note due 2015	\$603,697	09/26/08	577,603	603,697
Common Stock (B)	713 shs.	09/26/08	71,303	123,937
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	507 shs.	09/26/08	46,584	88,129
			695,490	815,763
<b>American Hospice Management Holding LLC</b>				
A for-profit hospice care provider in the United States.				
12% Senior Subordinated Note due 2013	\$1,687,503	*	1,673,898	1,687,503
Preferred Class A Unit (B)	1,706 uts.	**	170,600	233,624
Preferred Class B Unit (B)	808 uts.	06/09/08	80,789	171,901
Common Class B Unit (B)	16,100 uts.	01/22/04	1	-
Common Class D Unit (B)	3,690 uts.	09/12/06	-	-
			1,925,288	2,093,028
* 01/22/04 and 06/09/08.				
** 01/22/04 and 09/12/06.				
<b>AMS Holding LLC</b>				
A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.				
14.25% Senior Subordinated Note due 2019	\$1,148,898	10/04/12	1,127,132	1,135,496
Limited Liability Company Unit Class A Preferred (B)	114 uts.	10/04/12	113,636	113,630

1,240,768 1,249,126

---

9

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Apex Analytix Holding Corporation</b>				
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	\$ 924,818	\$ 1,012,500
Preferred Stock Series B (B)	1,623 shs.	04/28/09	162,269	216,400
Common Stock (B)	723 shs.	04/28/09	723	56,278
			1,087,810	1,285,178
<b>Arch Global Precision LLC</b>				
A leading manufacturer of high tolerance precision components and consumable tools.				
14.75% Senior Subordinated Note due 2018				
	\$ 776,668	12/21/11	759,341	790,527
Limited Liability Company				
Unit Class B (B)	28 uts.	12/21/11	28,418	39,461
Limited Liability Company				
Unit Class C (B)	222 uts.	12/21/11	221,582	307,663
			1,009,341	1,137,651
<b>Arrow Tru-Line Holdings, Inc.</b>				
A manufacturer of hardware for residential and commercial overhead garage doors in North America.				
12% Senior Subordinated Note due 2016 (D)				
	\$ 816,040	05/18/05	749,976	816,040
Preferred Stock (B)	33 shs.	10/16/09	33,224	78,844
Common Stock (B)	263 shs.	05/18/05	263,298	3,991
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share				
(B)	69 shs.	05/18/05	59,362	1,046
			1,105,860	899,921
<b>Baby Jogger Holdings LLC</b>				
A designer and marketer of premium baby strollers and stroller accessories.				
14% Senior Subordinated Note due 2019				
	\$ 942,213	04/20/12	925,379	970,479
Common Stock (B)	754 shs.	04/20/12	75,376	116,349
			1,000,755	1,086,828
<b>Blue Wave Products, Inc.</b>				
A distributor of pool supplies.				
	\$ 317,730	10/12/12	311,750	313,646

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

10% Senior Secured Term

Note due 2018

13% Senior Subordinated Note

due 2019	\$ 319,233	10/12/12	296,684	313,894
----------	------------	----------	---------	---------

Common Stock (B)	51,064 shs.	10/12/12	51,064	50,326
------------------	-------------	----------	--------	--------

Warrant, exercisable until

2022, to purchase

common stock at \$.01 per share

(B)	20,216 shs.	10/12/12	20,216	19,924
-----	-------------	----------	--------	--------

			679,714	697,790
--	--	--	---------	---------

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	\$ 1,051,295	10/17/12	1,031,502	1,035,411
----------	--------------	----------	-----------	-----------

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	170,837
------------------	----------	----------	---------	---------

			1,239,835	1,240,421
--	--	--	-----------	-----------

---

10

---



CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Bravo Sports Holding Corporation</b>				
-				
A designer and marketer of niche branded consumer products including canopies, trampolines, in-line skates, skateboards, and urethane wheels.				
12.5% Senior Subordinated Note due 2014	\$ 1,207,902	06/30/06	\$ 1,190,806	\$ 1,147,507
Preferred Stock Class A (B)	465 shs.	06/30/06	141,946	83,405
Common Stock (B)	1 sh.	06/30/06	152	-
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	164 shs.	06/30/06	48,760	29,312
			1,381,664	1,260,224
<b>C D N T, Inc.</b>				
A value-added converter and distributor of specialty pressure sensitive adhesives, foams, films, and foils.				
10.5% Senior Secured Term Note due 2014	\$ 134,085	08/07/08	133,336	134,084
12.5% Senior Subordinated Note due 2015	\$ 429,070	08/07/08	410,402	429,070
Common Stock (B)	41,860 shs.	08/07/08	41,860	56,624
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	32,914 shs.	08/07/08	32,965	44,523
			618,563	664,301
<b>Capital Specialty Plastics, Inc.</b>				
A producer of desiccant strips used for packaging pharmaceutical products.				
Common Stock (B)	55 shs.	*	252	515,888
*12/30/97 and 05/29/99.				
<b>CHG Alternative Education Holding Company</b>				
A leading provider of publicly-funded, for profit pre-K-12 education services targeting special needs children at therapeutic day schools and "at risk" youth through alternative education programs.				
13.5% Senior Subordinated Note due 2018	\$ 736,666	01/19/11	702,896	751,399
14% Senior Subordinated Note due 2019	\$ 190,011	08/03/12	186,482	191,122
Common Stock (B)	375 shs.	01/19/11	37,500	40,393
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	295 shs.	01/19/11	29,250	31,751
			956,128	1,014,665
<b>Church Services Holding Company</b>				
A provider of diversified residential services to homeowners in Houston, Dallas, and Austin markets.				
14.5% Senior Subordinated Note due 2018	\$ 408,150	03/26/12	396,033	416,313
Common Stock (B)	1,327 shs.	*	132,700	123,424
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	57 shs.	03/26/12	5,740	5,302

\*03/26/12, 05/25/12 and 06/19/12.

534,473

545,039

---

11

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Clough, Harbour and Associates An engineering service firm that is located in Albany, NY. Preferred Stock (B)	147 shs.	12/02/08	\$ 146,594	\$ 203,462
Connecticut Electric, Inc. A supplier and distributor of electrical products sold into the retail and wholesale markets. 10% Senior Subordinated Note due 2014 (D) Limited Liability Company Unit Class A (B)	\$ 771,051	01/12/07	719,299	743,539
Limited Liability Company Unit Class C (B)	82,613 uts.	01/12/07	82,613	10,303
Limited Liability Company Unit Class D (B)	59,756 uts.	01/12/07	59,756	7,987
Limited Liability Company Unit Class E (B)	671,525 uts.	05/03/10	-	708,682
Limited Liability Company Unit Class F (B)	1,102 uts.	05/03/10	-	-
			861,668	1,470,511
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) Preferred Stock Series C (B) Common Stock (B) Limited Partnership Interest (B) *08/12/04 and 01/14/05.	9,081 shs. 3,748 shs. 380 shs. 6.88% int.	07/05/07 07/05/07 07/05/07 *	370,796 125,207 4 103,135 599,142	908,072 374,811 168 - 1,283,051
CorePharma LLC A manufacturer of oral dose generic pharmaceuticals targeted at niche applications. Warrant, exercisable until 2013, to purchase common stock at \$.001 per share (B)	10 shs.	08/04/05	72,617	415,944
Crane Rental Corporation				

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

A crane rental company since  
1960, headquartered in Florida.

13% Senior Subordinated Note due 2015	\$	1,215,000	08/21/08	1,155,794	1,207,986
Common Stock (B)		135,000 shs.	08/21/08	135,000	55,570
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)		72,037 shs.	08/21/08	103,143 1,393,937	29,652 1,293,208

---

12

---

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Custom Engineered Wheels, Inc.</b>				
A manufacturer of custom engineered, non-pneumatic plastic wheels and plastic tread cap tires used primarily for lawn and garden products and wheelchairs.				
12.5% Senior Subordinated				
Note due 2016	\$ 765,865	10/27/09	\$ 700,802	\$ 765,865
Preferred Stock PIK (B)	156 shs.	10/27/09	156,468	117,011
Preferred Stock Series A (B)	114 shs.	10/27/09	104,374	85,491
Common Stock (B)	38 shs.	10/27/09	38,244	-
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	28 shs.	10/27/09	25,735	-
			1,025,623	968,367
<b>DPL Holding Corporation</b>				
A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.				
14% Senior Subordinated Note				
due 2019	\$ 1,302,758	05/04/12	1,279,175	1,312,315
Preferred Stock (B)	25 shs.	05/04/12	252,434	255,485
Common Stock (B)	25 shs.	05/04/12	28,048	17,382
			1,559,657	1,585,182
<b>Duncan Systems, Inc.</b>				
A distributor of windshields and side glass for the recreational vehicle market.				
10% Senior Secured Term				
Note due 2013	\$ 77,143	11/01/06	77,014	76,519
13% Senior Subordinated Note				
due 2014	\$ 488,572	11/01/06	472,090	481,598
Common Stock (B)	102,857 shs.	11/01/06	102,857	27,613
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	32,294 shs.	11/01/06	44,663	8,670
			696,624	594,400
<b>E S P Holdco, Inc.</b>				
A manufacturer of power protection technology for commercial office equipment, primarily supplying the office equipment dealer network.				
14% Senior Subordinated Note due 2015		\$ 1,304,643	01/08/08	1,293,150
Common Stock (B)		349 shs.	01/08/08	174,701
				1,304,643
				190,476

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

			1,467,851	1,495,119
Eatam 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	856,827	951,023
Common Stock (B)	50 shs.	02/01/10	50,000	42,377
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	119 shs.	02/01/10	107,100	101,044
			1,013,927	1,094,444

---

13

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>ELT Holding Company</b>				
A provider of web-based ethics and compliance training solutions for companies in the United States.				
14% Senior Subordinated Note due 2019	\$929,204	03/01/12	\$912,889	\$945,289
Common Stock (B)	41 shs.	03/01/12	90,909	104,913
			1,003,798	1,050,202
<b>F F C Holding Corporation</b>				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
16% Senior Subordinated Note due 2017	\$905,103	09/27/10	893,411	914,154
Limited Liability Company Unit Preferred (B)	171 uts.	09/27/10	58,345	184,278
Limited Liability Company Unit (B)	171 uts.	09/27/10	17,073	30,443
			968,829	1,128,875
<b>F G I Equity LLC</b>				
A manufacturer of a broad range of filters and related products that are used in commercial, light industrial, healthcare, gas turbine, nuclear, laboratory, clean room, hotel, educational system, and food processing settings.				
14.25% Senior Subordinated Note due 2018	\$112,749	02/29/12	112,782	115,004
Limited Liability Company Unit Class B-1 (B)	65,789 uts.	12/15/10	65,789	133,578
Limited Liability Company Unit Class B-2 (B)	8,248 uts.	12/15/10	8,248	16,747
Limited Liability Company Unit Class B-3 (B)	6,522 uts.	08/30/12	15,000	14,853
Limited Liability Company Unit Class C (B)	1,575 uts.	12/20/10	16,009	21,158
			217,828	301,340
<b>Flutes, Inc.</b>				
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)	\$524,791	04/13/06	519,050	498,551
14% Senior Subordinated Note due 2015 (D)	\$317,177	04/13/06	290,908	-
			809,958	498,551
<b>G C Holdings</b>				
A leading manufacturer of gaming tickets, industrial recording charts, security-enabled point-of sale receipts, and medical charts and supplies.				
12.5% Senior Subordinated Note due 2017	\$1,000,000	10/19/10	950,023	1,010,000
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	198 shs.	10/19/10	46,958	548,188
			996,981	1,558,188
<b>GD Dental Services LLC</b>				
A provider of convenient "onestop" general, specialty, and cosmetic dental services with 21 offices located throughout South and Central Florida.				

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

14% Senior Subordinated Note due 2019	\$1,178,854	10/05/12	1,156,383	1,167,463
Limited Liability Company Unit Common (B)	767 uts.	10/05/12	767	-
Limited Liability Company Unit Preferred (B)	76 uts.	10/05/12	75,920	74,088
			1,233,070	1,241,551

---

14

---



Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>gloProfessional Holdings, Inc.</b>				
A marketer and distributor of premium mineral-based cosmetics, cosmeceuticals and professional hair care products to the professional spa and physician's office channels.				
14% Senior Subordinated Note due 2019	\$1,131,890	03/27/13	\$1,109,286	\$1,130,075
Common Stock (B)	1,181 shs.	03/27/13	118,110	112,204
			1,227,396	1,242,279
<b>Golden County Foods Holding, Inc.</b>				
A manufacturer of frozen appetizers and snacks.				
16% 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	-
<b>H M Holding Company</b>				
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	-
<b>Handi Quilter Holding Company</b>				
A designer and manufacturer of long-arm quilting machines and related components for the consumer quilting market.				
12% Senior Subordinated Note due 2017	\$461,539	11/14/11	432,416	475,385
Common Stock (B)	38 shs.	11/14/11	38,461	72,594
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	28 shs.	11/14/11	25,596	51,982
			496,473	599,961
<b>Healthcare Direct Holding Company</b>				
A direct-to-customer marketer of discount dental plans.				
14% Senior Subordinated Note due 2019	\$713,454	03/09/12	700,901	692,239
Common Stock (B)	517 shs.	03/09/12	51,724	21,863
			752,625	714,102



## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Home Décor Holding Company A designer, manufacturer and marketer of framed art and wall décor products.				
Common Stock (B)	33 shs.	*	\$ 33,216	\$ 86,223
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B) * 06/30/04 and 08/19/04.	106 shs.	*	105,618 138,834	274,139 360,362
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	1,052,512	1,071,189
Common Stock (B)	251 shs.	08/19/08	251,163	40,791
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	65 shs.	08/19/08	60,233 1,363,908	10,544 1,122,524
HVAC Holdings, Inc. A provider of integrated energy efficiency services and maintenance programs for HVAC systems.				
14% Senior Subordinated Note due 2019	\$ 1,148,010	09/27/12	1,126,292	1,124,592
Preferred Stock Series A (B)	1,127 shs.	09/27/12	112,726	116,009

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

Common Stock (B)	910 shs.	09/27/12	910	-
			1,239,928	1,240,601
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	129,791
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	167,518
International Offshore Services LLC				
A leading provider of marine transportation services, platform decommissioning, and salvage services to oil and gas producers in the shallow waters of the Gulf of Mexico.				
14.25% Senior Subordinated Secured Note due 2017 (D)	\$ 1,350,000	07/07/09	1,236,405	-
Limited Liability Company Unit (B)	1,647 uts.	07/07/09	98,833	-
			1,335,238	-

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>J A C Holding Enterprises, Inc.</b>				
A supplier of luggage racks and accessories to the original equipment manufacturers.				
12.5% Senior Subordinated				
Note due 2017	\$ 833,333	12/20/10	\$ 737,644	\$ 831,865
Preferred Stock A (B)	165 shs.	12/20/10	165,000	128,589
Preferred Stock B (B)	0.06 shs.	12/20/10	-	47
Common Stock (B)	33 shs.	12/20/10	1,667	-
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	12 shs.	12/20/10	105,643	-
			1,009,954	960,501
<b>Jason Partners Holdings LLC</b>				
A diversified manufacturing company serving various industrial markets.				
Limited Liability Company Unit (B)	48 uts.	09/21/10	449,086	25,511
<b>JMH Investors LLC</b>				
A developer and manufacturer of custom formulations for a wide variety of foods.				
14.25% Senior Subordinated				
Note due 2019	\$ 1,040,105	12/05/12	1,020,013	1,035,241
Limited Liability Company Unit (B)	217,391 uts.	12/05/12	217,391	192,041
			1,237,404	1,227,282
<b>K &amp; N Parent, Inc.</b>				
A manufacturer and supplier of automotive aftermarket performance air filters and intake systems.				
14% Senior Subordinated Note				
due 2017	\$ 882,674	12/23/11	867,523	909,154
Preferred Stock Series A (B)	102 shs.	12/23/11	96,578	96,577
Preferred Stock Series B (B)	29 shs.	12/23/11	27,335	27,332
Common Stock (B)	130 shs.	12/23/11	6,522	71,790
			997,958	1,104,853
<b>K N B Holdings Corporation</b>				
A designer, manufacturer and marketer of products for the custom framing market.				
15% Senior Subordinated Note				
due 2017	\$ 2,251,896	*	2,094,903	2,251,895

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

Common Stock (B)	71,053 shs.	05/25/06	71,053	36,738
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	43,600 shs.	05/25/06	37,871	22,544
* 5/25/06 and 04/12/11.			2,203,827	2,311,177

K P H I Holdings, Inc.

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	265,782
------------------	--------------	----------	---------	---------

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>K P I Holdings, Inc.</b>				
The largest player in the U.S. non-automotive, non-ferrous die casting segment.				
12.75% Senior Subordinated Note due 2015	\$ 1,455,585	07/16/08	\$ 1,395,520	\$ 1,455,585
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	20,619
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	51 shs.	07/16/08	50,836	4,465
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	67 shs.	09/17/09	-	5,919
			1,723,445	1,583,468
<b>LPC Holding Company</b>				
A designer and manufacturer of precision-molded silicone rubber components that are utilized in the medical and automotive end markets.				
13.5% Senior Subordinated Note due 2018	\$ 1,166,552	08/15/11	1,147,154	1,189,883
Common Stock (B)	105 shs.	08/15/11	105,019	129,688
			1,252,173	1,319,571
<b>M V I Holding, Inc.</b>				
A manufacturer of large precision machined metal components used in equipment which services a variety of industries, including the oil and gas, mining, and defense markets.				
Common Stock (B)	32 shs.	09/12/08	32,143	63,586
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	35 shs.	09/12/08	34,714	68,671
			66,857	132,257
<b>Mail Communications Group, Inc.</b>				
A provider of mail processing and handling services, lettershop services, and commercial printing services.				
Limited Liability Company Unit (B)	12,764 uts.	*	166,481	269,074
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	1,787 shs.	05/04/07	22,781	37,673
			189,262	306,747

\* 05/04/07 and 01/02/08.

Manhattan Beachwear Holding Company

A designer and distributor of women's swimwear.

12.5% Senior Subordinated Note due 2018	\$ 419,971	01/15/10	380,787	419,971
15% Senior Subordinated Note due 2018	\$ 108,968	10/05/10	107,338	105,086
Common Stock (B)	35 shs.	10/05/10	35,400	30,289
Common Stock Class B (B)	118 shs.	01/15/10	117,647	100,664
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	104 shs.	01/15/10	94,579	89,088
			735,751	745,098

---

18

---



Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Marshall Physicians Services LLC</b>				
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	\$ 446,765	09/20/11	\$439,325	\$455,123
Limited Liability Company Unit Class A (B)	2,900 uts.	09/20/11	60,000	41,163
Limited Liability Company Unit Class D (B)	291 uts.	09/20/11	-	4,137
			499,325	500,423
<b>MBWS Ultimate Holdco, Inc.</b>				
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	*	1,043,554	1,128,670
Preferred Stock Series A (B)	1,388 shs.	09/07/10	138,797	414,851
Common Stock (B)	162 shs.	03/01/11	16,226	48,419
Common Stock (B)	153 shs.	09/07/10	15,282	45,729
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	103 shs.	03/01/11	10,325	30,785
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	386 shs.	09/07/10	38,623	115,369
* 09/07/10 and 03/01/11.			1,262,807	1,783,823
<b>MedSystems Holdings LLC</b>				
A manufacturer of enteral feeding products, such as feeding tubes and other products related to assisted feeding.				
13% Senior Subordinated Note due 2015	\$ 636,369	08/29/08	598,931	636,369
Preferred Unit (B)	66 uts.	08/29/08	66,451	83,841
Common Unit Class A (B)	671 uts.	08/29/08	671	32,390
Common Unit Class B (B)	250 uts.	08/29/08	63,564	12,052
			729,617	764,652
<b>MEGTEC Holdings, Inc.</b>				
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	82,402

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

Limited Partnership Interest (B) Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	0.74% int.   18 shs.	09/16/08   09/24/08	205,932   18,237 278,209	284,673   24,044 391,119
---	-------------------------------	------------------------------	--------------------------------------	--------------------------------------

Merex Holding Corporation

A provider of after-market spare parts and components, as well as Maintenance, Repair and Overhaul services for “out of production” or “legacy” aerospace and defense systems that are no longer effectively supported by the original equipment manufacturers.

14% Senior Subordinated Note due 2018	\$ 424,528	09/22/11	417,304	437,264
Limited Liability Company Unit Series B (B)	155,945 uts.	09/22/11	155,945 573,249	151,674 588,938

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)		Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>MicroGroup, Inc.</b>					
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
<b>MNX Holding Company</b>					
An international third party logistics Company providing customized logistics services to customers across the globe.					
14% Senior Subordinated Note due 2019	\$ 1,215,354	11/02/12		1,192,109	1,194,375
Common Stock (B)	45 shs.	11/02/12		44,643	28,274
				1,236,752	1,222,649
<b>Monessen Holding Corporation</b>					
A designer and manufacturer of a broad line of gas, wood, and electric hearth products and accessories.					
15% Senior Subordinated Note due 2015 (D)	\$ 823,794	06/28/11		547,745	-
7% Senior Subordinated Note due 2014 (D)	\$ 1,350,000	06/28/11		1,281,479	-
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)	81 shs.	03/31/06		73,125	-
				1,902,349	-
<b>Motion Controls Holdings</b>					
A manufacturer of high performance mechanical motion control and linkage products.					
14.25% Senior Subordinated Note due 2017	\$ 944,533	11/30/10		931,373	944,211
Limited Liability Company Unit Class B-1 (B)	93,750 uts.	11/30/10		-	74,958

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

Limited Liability Company Unit Class B-2 (B)	8,501 uts.	11/30/10	- 931,373	6,797 1,025,966
NABCO, Inc. A producer of explosive containment vessels in the United States.	429 shs.	12/20/12	306,091	175,461

---

20

---

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>NetShape Technologies, Inc.</b>				
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	\$993,035	\$1,008,389
Limited Partnership Interest of Saw Mill PCG Partners LLC (B)	1.38% int.	02/01/07	588,077	-
Limited Liability Company Unit Class D of Saw Mill PCG Partners LLC (B)	9 uts.	*	8,873	-
Limited Liability Company Unit Class D-1 of Saw Mill PCG Partners LLC (B)	121 uts.	09/30/09	121,160	203,869
Limited Liability Company Unit Class D-2 of Saw Mill PCG Partners LLC (B)	68 uts.	04/29/11	34,547	47,071
* 12/18/08 and 09/30/09.			1,745,692	1,259,329
<b>Nicoat Acquisitions LLC</b>				
A manufacturer of water-based and ultraviolet coatings for high-performance graphic arts, packaging and other specialty coating applications.				
14% Senior Subordinated Note due 2018	\$ 486,205	11/05/10	453,607	491,067
Limited Liability Company Unit Series B (B)	17,241 uts.	11/05/10	17,241	20,501
Limited Liability Company Unit Series B (B)	34,931 uts.	11/05/10	34,931	41,536
Limited Liability Company Unit Series F (B)	52,172 uts.	11/05/10	-	91,604
			505,779	644,708
<b>Northwest Mailing Services, Inc.</b>				
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	*	1,310,553	1,478,287
Limited Partnership Interest (B)	1,740 uts.	*	174,006	38,205
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	2,605 shs.	*	260,479	57,191
* 07/09/09 and 08/09/10.			1,745,038	1,573,683
<b>NT Holding Company</b>				
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	825,124	891,948

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

Common Stock (B)	126 shs.	*	125,883	114,949
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	59 shs.	02/02/11	52,987	53,648
* 02/02/11 and 06/30/11.			1,003,994	1,060,545

---

21

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

		Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)					
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	\$ 415,764	\$ 428,252
Preferred Stock Series A (B)	554 shs.		06/04/10	55,354	20,149
Preferred Stock Series B (B)	311 shs.		06/04/10	31,125	11,330
Common Stock (B)	344 shs.		06/04/10	344	-
				502,587	459,731
Ontario Drive & Gear Ltd.					
A manufacturer of all-wheel drive, off-road amphibious vehicles and related accessories.					
Limited Liability Company Unit (B)					
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	1,942 uts.		01/17/06	302,885	759,020
	328 shs.		01/17/06	90,424	128,150
				393,309	887,170
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	\$ 1,624,644		12/21/10	1,604,271	1,640,890
Preferred Stock Class A (B)	29 shs.		12/21/10	180,380	286,496
Common Stock (B)	29 shs.		12/21/10	13,500	-
				1,798,151	1,927,386
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	\$ 956,625		12/20/10	942,775	948,956
Limited Liability Company Unit Class A (B)	33 uts.		12/20/10	106,071	80,823
Limited Liability Company Unit Class B (B)	33 uts.		12/20/10	1,072	80,823
				1,049,918	1,110,602
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	\$ 42,187		12/18/12	-	42,187
Paradigm Packaging, Inc.					

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

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	842,240	843,750
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	197 shs.	12/21/00	140,625 982,865	64,997 908,747

---

22

---



CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	\$ 1,108,738	11/29/12	1,082,467	1,094,622
Limited Liability Company Unit (B)	156,250 uts.	11/29/12	156,250	120,138
			1,238,717	1,214,760
Postle Aluminum Company LLC A manufacturer and distributor of aluminum extruded products.				
15% Senior Subordinated Note due 2013	\$ 881,440	06/03/10	877,840	881,440
Limited Liability Company Unit Class A (B)	733 uts.	10/02/06	270,000	125,583
Limited Liability Company Unit (B)	76 uts.	05/22/09	340	13,025
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	4,550 shs.	10/02/06	65,988	779,871
			1,214,168	1,799,919
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	109 shs.	11/12/09	107,970	152,100

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

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

Qualis Automotive LLC

A distributor of aftermarket  
automotive brake and chassis  
products.

Common Stock (B)	187,500 shs.	05/28/04	187,500	159,847
------------------	--------------	----------	---------	---------

Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	199,969 shs.	05/28/04	199,969	170,478
---	--------------	----------	---------	---------

			387,469	330,325
--	--	--	---------	---------

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	813,339	792,789
---------------	------------	----------	---------	---------

Limited Liability Company

Unit (B)	1,497 uts.	12/15/06	149,723	56,901
----------	------------	----------	---------	--------

Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	2 shs.	12/15/06	69,609	26,851
---	--------	----------	--------	--------

			1,032,671	876,541
--	--	--	-----------	---------

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>REVSpring, Inc.</b>				
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	\$ 1,143,496	*	\$ 1,124,776	\$1,160,671
Limited Liability Company Unit Class A (B)	13,548 uts.	*	135,477	158,760
* 10/21/11 and 08/03/12.			1,260,253	1,319,431
<b>RM Holding Company</b>				
A specialty distributor of home medical care equipment.				
13% Senior Subordinated Note due 2018	\$ 460,318	02/09/12	435,751	474,127
Preferred Stock Series (B)	39,679 shs.	02/09/12	39,678	42,634
Common Stock (B)	369 shs.	02/09/12	4	29,655
Warrant, exercisable until 2022, to purchase preferred stock A at \$.01 per share (B)	12,088 shs.	02/09/12	11,980	12,760
Warrant, exercisable until 2022, to purchase preferred stock B at \$.01 per share (B)	7,067 shs.	02/09/12	7,067	7,594
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	185 shs.	02/09/12	-	14,870
			494,480	581,640
<b>Rose City Holding Company</b>				
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	\$ 590,369	12/11/12	579,081	583,393
Preferred Stock (B)	39,062 shs.	12/11/12	39,062	36,252
Common Stock (B)	39 shs.	12/11/12	4	-
			618,147	619,645
<b>Safety Infrastructure Solutions</b>				

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

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	\$ 656,250	03/30/12	647,502	669,375
Preferred Stock (B)	2,098 shs.	03/30/12	83,920	90,013
Common Stock (B)	983 shs.	03/30/12	9,830	17,518
			741,252	776,906

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	289,308
---	--------------	----------	---------	---------

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Signature Systems Holding Company</b>				
A seller and installer of a variety of modular surfaces, industrial matting and related products used for ground protection.				
12.5% Senior Subordinated Note due 2021	\$755,088	03/15/13	\$711,813	\$753,957
Common Stock (B)	76 shs.	03/15/13	75,509	71,734
Warrant, exercisable until 2023, to purchase common stock A at \$.01 per share (B)	31 shs.	03/15/13	28,316	-
			815,638	825,691
<b>Smart Source Holdings LLC</b>				
A short-term computer rental company.				
12% Senior Subordinated Note due 2015	\$1,176,924	*	1,129,827	1,176,924
Limited Liability Company Unit (B)	328 uts.	*	337,796	328,075
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	83 shs.	*	87,231	83,102
* 08/31/07 and 03/06/08.			1,554,854	1,588,101
<b>Snacks Parent Corporation</b>				
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 2017	\$ 889,609	11/12/10	849,852	898,505
Preferred Stock A (B)	1,132 shs.	11/12/10	107,498	142,894
Preferred Stock B (B)	525 shs.	11/12/10	49,884	66,309
Common Stock (B)	6,579 shs.	11/12/10	6,579	28,923
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	1,806 shs.	11/12/10	1,806	7,940
			1,015,619	1,144,571
<b>SouthernCare Holdings, Inc.</b>				
A hospice company providing palliative care services to terminally ill patients.				
Common Stock (B)	909 shs.	12/01/11	90,909	84,970
<b>Spartan Foods Holding Company</b>				
A manufacturer of branded pizza crusts and pancakes.				
14.25% Senior Subordinated Note due 2017	\$ 1,200,671	12/15/09	1,074,968	1,145,760

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	136 shs.	12/15/09	120,234 1,195,202	40,239 1,185,999
Specialty Commodities, Inc. A distributor of specialty food ingredients.				
Common Stock (B)	15,882 shs.	10/23/08	158,824	119,619
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	5,852 shs.	10/23/08	53,285 212,109	44,076 163,695

---

25

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Stag Parkway Holding Company</b>				
A distributor of RV parts and accessories in the United States.				
13% Senior Subordinated Note due 2018	\$ 1,134,972	12/19/12	\$ 1,082,382	\$ 1,125,240
Common Stock (B)	118 shs.	12/19/12	118,203	112,290
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	35 shs.	12/19/12	31,848	-
			1,232,433	1,237,530
<b>Strata/WLA Holding Corporation</b>				
A leading independent anatomic pathology laboratory that conducts over 320,000 tests annually to customers in 40 U.S. states and in Canada and Venezuela.				
14.5% Senior Subordinated Note due 2018	\$ 959,148	07/01/11	943,703	863,233
Preferred Stock Series A (B)	76 shs.	07/01/11	76,046	30,493
			1,019,749	893,726
<b>Sundance Investco LLC</b>				
A provider of post-production services to producers of movies and television shows.				
Limited Liability Company Unit Class A (B)	3,405 shs.	03/31/10	-	-
<b>Sunrise Windows Holding Company</b>				
A manufacturer and marketer of premium vinyl windows exclusively selling to the residential remodeling and replacement market.				
14% Senior Subordinated Note due 2017	\$ 1,007,548	12/14/10	963,147	1,002,076
14% Senior Subordinated PIK Note due 2017	\$ 81,597	08/14/12	78,367	81,154
Common Stock (B)	38 shs.	12/14/10	38,168	15,556
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	37 shs.	12/14/10	37,249	15,181
			1,116,931	1,113,967
<b>Synteract Holdings Corporation</b>				
A provider of outsourced clinical trial management services to pharmaceutical and biotechnology companies.				
14% Senior Subordinated Note due 2019	\$ 1,746,188	09/02/08	1,677,705	1,746,188

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

Preferred Stock Series D (B)	257 shs.	02/27/13	25,678	10,966
Redeemable Preferred Stock Series A (B)	678 shs.	09/02/08	6,630	-
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	6,778 shs.	09/02/08	59,661	-
			1,769,674	1,757,154

---

26

---



Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Terra Renewal LLC</b>				
A provider of wastewater residual management and required environmental reporting, permitting, nutrient management planning and record keeping to companies involved in poultry and food processing.				
12% Senior Subordinated Note due 2014 (D)	\$ 664,062	*	\$644,369	\$-
7.44% Term Note due 2013 (C)	\$ 711,001	08/10/12	711,001	604,351
9.25% Term Note due 2013 (C)	\$ 1,568	08/31/12	1,568	1,332
Common Stock Class B	32 shs.	*	4,448	-
Limited Partnership Interest of Saw Mill Capital Fund V, LLC (B)	2.27% int.	**	117,464	-
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.			1,512,588	605,683
**03/01/05 and 10/10/08.				
<b>Torrent Group Holdings, Inc.</b>				
A contractor specializing in the sales and installation of engineered drywells for the retention and filtration of stormwater and nuisance water flow.				
14.5% Senior Subordinated Note due 2014 (D)	\$ 1,300,003	10/26/07	1,136,835	1,253,492
Series B Preferred Stock (B)	97 shs.	03/31/10	-	144,906
Common Stock (B)	273 shs.	03/31/10	219,203	-
			1,356,038	1,398,398
<b>Transpac Holding Company</b>				
A designer, importer, and wholesaler of home décor and seasonal gift products.				
12% Senior Subordinated Note due 2015	\$ 938,651	10/31/07	896,489	895,908
Common Stock (B)	110 shs.	10/31/07	110,430	5,670
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	50 shs.	10/31/07	46,380	2,560
			1,053,299	904,138
<b>Tranzonic Companies (The)</b>				
A producer of commercial and industrial supplies, such as safety products, janitorial supplies, work apparel, washroom and restroom supplies and sanitary care products.				
13% Senior Subordinated Note due 2015	\$ 542,400	02/05/98	541,643	542,400
Common Stock (B)	315 shs.	02/04/98	315,000	612,900
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	222 shs.	02/05/98	184,416	431,949

1,041,059 1,587,249

---

27

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Truck Bodies &amp; Equipment International</b>				
A designer and manufacturer of accessories for heavy and medium duty trucks, primarily dump bodies, hoists, various forms of flat-bed bodies, landscape bodies and other accessories.				
<b>12% Senior Subordinated Note</b>				
due 2013	\$ 1,222,698	*	\$ 1,178,972	\$1,222,698
Preferred Stock Series B (B)	128 shs.	10/20/08	127,677	90,617
Common Stock (B)	393 shs.	*	423,985	-
Warrant, exercisable until 2014, 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.			1,815,284	1,313,315
<b>TruStile Doors, Inc.</b>				
A manufacturer and distributor of interior doors.				
Limited Liability Company Unit (B)	5,888 uts.	02/28/11	109,375	196,600
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	3,060 shs.	04/11/03	36,032 145,407	23,969 220,569
<b>U-Line Corporation</b>				
A manufacturer of high-end, built-in, undercounter ice making, wine storage and refrigeration appliances.				
Common Stock (B)	96 shs.	04/30/04	96,400	108,713
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	122 shs.	04/30/04	112,106 208,506	137,582 246,295
<b>U M A Enterprises, Inc.</b>				

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

An importer and wholesaler of  
home décor products.

Convertible Preferred Stock (B)	470 shs.	02/08/08	469,565	753,022
---------------------------------	----------	----------	---------	---------

Visioneering, Inc.

A designer and manufacturer of tooling and fixtures for the  
aerospace industry.

10.5% Senior Secured Term

Loan due 2013	\$ 414,706	05/17/07	414,287	415,166
---------------	------------	----------	---------	---------

13% Senior Subordinated Note  
due 2014

	\$ 370,588	05/17/07	360,981	370,588
--	------------	----------	---------	---------

18% PIK Convertible Preferred  
Stock (B)

	21,361 shs.	03/13/09	41,440	69,594
--	-------------	----------	--------	--------

Common Stock (B)

	70,588 shs.	05/17/07	70,588	57,112
--	-------------	----------	--------	--------

Warrant, exercisable until 2014,  
to purchase

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

	20,003 shs.	05/17/07	31,460	16,184
			918,756	928,644

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Vitex Packaging Group, Inc.</b>				
A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags.				
Class B Unit (B)	406,525 uts.	10/29/09	\$ 184,266	\$ -
Class C Unit (B)	450,000 uts.	10/29/09	413,244	391,157
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	391,157
<b>Wellborn Forest Holding Company</b>				
A manufacturer of semi-custom kitchen and bath cabinetry.				
12.13% Senior Subordinated				
Note due 2016	\$ 911,250	11/30/06	867,531	820,125
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	820,125
<b>Wheaton Holding Corporation</b>				
A distributor and manufacturer of laboratory supply products and packaging.				
Preferred Stock Series B (B)	703 shs.	06/08/10	70,308	-
Common Stock (B)	353 shs.	06/08/10	353	-
			70,661	-
<b>Whitcraft Holdings, Inc.</b>				
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	741,751	802,466
Common Stock (B)	205 shs.	12/16/10	205,480	149,347
Warrant, exercisable until 2018, to purchase				
	55 shs.	12/16/10	49,334	40,135

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

common stock at \$.02 per share (B)			996,565	991,948
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				
	\$ 880,429	11/03/11	865,585	880,762
Common Stock (B)				
	1,500 shs.	11/03/11	150,000	140,598
			1,015,585	1,021,360
Total Private Placement Investments (E)			\$ 103,262,162	\$ 97,006,412

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

	Interest	Due	Shares or Principal		Market
Corporate Restricted Securities: (A) (Continued)	Rate	Date	Amount	Cost	Value
Rule 144A Securities - 5.23%:					
Bonds 5.23%					
ArcelorMittal	6.125 %	06/01/18	\$ 500,000	\$ 513,750	\$ 540,000
Calumet Specialty Products Partners L.P.	9.625	08/01/20	500,000	491,518	563,750
Cornerstone Chemical Company	9.375	03/15/18	375,000	385,313	382,500
First Data Corporation	7.375	06/15/19	250,000	250,000	265,938
FMG Resources	7.000	11/01/15	250,000	256,500	261,875
Hilcorp Energy Company	7.625	04/15/21	325,000	311,967	357,500
J.B. Poindexter Co., Inc.	9.000	04/01/22	500,000	500,000	522,500
Lear Corporation	4.750	01/15/23	375,000	367,500	365,625
Lennar Corporation	4.750	11/15/22	375,000	369,375	367,500
MEG Energy Corporation	6.375	01/30/23	500,000	500,000	520,000
Neustar Inc.	4.500	01/15/23	375,000	362,813	358,125
Penske Corporation	4.875	07/11/22	500,000	497,989	527,280
Samson Investment Company	9.750	02/15/20	350,000	344,313	371,875
ServiceMaster Company	7.000	08/15/20	500,000	500,000	517,500
Tronox Finance LLC	6.375	08/15/20	375,000	365,625	363,750
Valeant Pharmaceuticals International	7.000	10/01/20	250,000	250,784	269,375
Welltec A/S	8.000	02/01/19	375,000	368,262	409,688
Total Bonds				6,635,709	6,964,781
Convertible Preferred Stock - 0.00%					

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

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		6,635,709	6,964,781
Total Corporate Restricted Securities		\$ 109,897,871	\$ 103,971,193



Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

	Interest		Due	Principal		Market
Corporate Public Securities - 21.04%: (A)	Rate		Date	Amount	Cost	Value
Bonds -21.02%						
Accuride Corp	9.500	%	08/01/18	\$ 500,000	\$ 482,874	\$ 511,250
Alcoa, Inc.	6.150		08/15/20	600,000	628,955	653,254
Alere, Inc.	9.000		05/15/16	300,000	313,936	315,375
Alliant Techsystems Inc.	6.875		09/15/20	500,000	536,186	538,750
Ally Financial, Inc.	5.500		02/15/17	750,000	764,413	811,307
Alta Mesa Financial Services	9.625		10/15/18	750,000	727,983	791,250
Anglogold Holdings PLC	5.375		04/15/20	600,000	605,123	635,086
Avis Budget Car Rental	9.750		03/15/20	375,000	375,000	442,504
B E Aerospace, Inc.	6.875		10/01/20	250,000	256,516	276,563
Bank of America Corporation	5.875		01/05/21	600,000	622,603	708,570
Bill Barrett Corporation	7.000		10/15/22	500,000	479,800	523,750
Brunswick Corporation	7.125		08/01/27	500,000	504,881	526,250
C R H America, Inc.	5.300		10/15/13	500,000	489,257	511,517
Calumet Specialty Products Partners L.P.	9.375		05/01/19	375,000	351,561	420,000
CCO Holdings Capital Corporation	5.250		09/30/22	500,000	495,211	491,250
Centurytel, Inc.	5.000		02/15/15	500,000	506,679	527,519
CHC Helicopter SA	9.250		10/15/20	1,000,000	930,858	1,063,125
CIT Group, Inc.	5.000		08/15/22	500,000	500,000	533,894
Citigroup, Inc.	5.500		04/11/13	500,000	499,552	500,583
Continental Resources, Inc.	5.000		09/15/22	500,000	511,283	531,250
DaVita, Inc.	5.750		08/15/22	500,000	500,000	519,375
Duke Realty Limited Partnership	3.875		10/15/22	500,000	508,419	513,203
EnSCO PLC	3.250		03/15/16	600,000	598,589	639,073
EP Energy/EP Finance, Inc.	9.375		05/01/20	500,000	508,109	577,500
Equifax, Inc.	4.450		12/01/14	500,000	506,853	526,419

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

GATX Corporation	4.750	05/15/15	500,000	502,411	530,533
General Electric Capital Corporation	5.500	01/08/20	500,000	498,549	592,484
Goldman Sachs Group, Inc.	4.750	07/15/13	500,000	494,083	505,999
Headwaters, Inc.	7.625	04/01/19	305,000	305,133	326,350
Health Management Association	6.125	04/15/16	250,000	255,930	274,375
HealthSouth Corporation	7.750	09/15/22	450,000	451,023	489,375
Hertz Corporation	6.750	04/15/19	220,000	217,050	240,075
International Game Technology	7.500	06/15/19	500,000	499,802	596,878
Jabil Circuit, Inc.	4.700	09/15/22	500,000	499,962	498,125
Johnson Controls, Inc.	5.500	01/15/16	500,000	451,497	558,612
Kraft Foods, Inc.	5.375	02/10/20	500,000	512,913	594,889
Masco Corporation	7.125	03/15/20	350,000	349,997	408,596
Morgan Stanley	5.500	01/26/20	500,000	498,000	572,878

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Corporate Public Securities (A)	Interest Rate	Due Date	Principal Amount	Cost	Market Value
NBC Universal Media LLC	5.150	% 04/30/20	\$ 500,000	\$ 499,453	\$ 592,581
Nexeo Solutions LLC	8.375	03/01/18	20,000	20,000	19,500
Niska Gas Storage Partners LLC	8.875	03/15/18	500,000	505,638	521,250
Omnova Solutions, Inc.	7.875	11/01/18	750,000	763,587	798,750
Peabody Energy Corporation	6.000	11/15/18	500,000	500,565	531,250
Perry Ellis International, Inc.	7.875	04/01/19	375,000	371,583	393,750
Precision Drilling Corporation	6.625	11/15/20	250,000	257,295	266,875
Qwest Diagnostic, Inc.	4.750	01/30/20	500,000	499,019	547,190
Sprint Nextel Corporation	6.000	12/01/16	500,000	510,954	542,500
Steelcase, Inc.	6.375	02/15/21	500,000	507,314	552,797
Tech Data Corporation	3.750	09/21/17	500,000	506,745	520,771
Thermadyne Holdings Corporation	9.000	12/15/17	250,000	263,999	272,500
Time Warner Cable, Inc.	5.000	02/01/20	500,000	492,460	568,945
Tyson Foods, Inc.	4.500	06/15/22	500,000	515,795	544,063
Unit Corporation	6.625	05/15/21	500,000	494,113	523,750
Weatherford International Limited	4.500	04/15/22	500,000	520,669	515,050
Total Bonds				25,970,180	27,989,308

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

	Interest	Due			Market
Corporate Public Securities (A)	Rate	Date	Shares	Cost	Value
Common Stock - 0.02%					
Intrepid Potash, Inc. (B)			185	\$ 5,920	\$ 3,471
Nortek, Inc. (B)			100	1	7,106
Rue21, Inc. (B)			350	6,650	10,287
Total Common Stock				12,571	20,864
Total Corporate Public Securities				\$ 25,982,751	\$ 28,010,172
Short-Term Securities:	Interest Rate/Yield^	Due Date	Principal Amount	Cost	Market Value
Commercial Paper -7.89%					
Bacardi Ltd	0.310 %	04/10/13	\$ 2,250,000	\$ 2,249,826	\$ 2,249,826
Enbridge Energy Partners	0.340	04/05/13	2,250,000	2,249,915	2,249,915
Oneok, Inc.	0.300	04/08/13	2,000,000	1,999,883	1,999,883
Volvo Group Treasury NA	0.300	04/10/13	2,000,000	1,999,850	1,999,850
Westar Energy Inc.	0.320	04/11/13	2,000,000	1,999,822	1,999,822
Total Short-Term Securities				\$ 10,499,296	\$ 10,499,296
Total Investments	107.02 %			\$ 146,379,918	\$ 142,480,661
Other Assets	6.58				8,762,575
Liabilities	(13.60 )				(18,105,675)
Total Net Assets	100.00 %				\$ 133,137,561

- (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 March 31, 2013.
- (D) Defaulted security; interest not accrued.
- (E) Illiquid security. As of March 31, 2013, the values of these securities amounted to \$97,006,412 or 72.86% of net assets.

^ Effective yield at purchase

PIK Payment-in-kind

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Industry Classification:	Fair Value/ Market Value	Fair Value/ Market Value
<b>AEROSPACE - 2.95%</b>		
A E Company, Inc.	\$ 605,376	
Alliant Techsystems Inc.	538,750	
B E Aerospace, Inc.	276,563	
Merex Holding Corporation	588,938	
Visioneering, Inc.	928,644	
Whitcraft Holdings, Inc.	991,948	
	3,930,219	
<b>AUTOMOBILE - 5.58%</b>		
Accuride Corp	511,250	
Avis Budget Car Rental	442,504	
DPL Holding Corporation	1,585,182	
Ideal Tridon Holdings, Inc.	129,791	
J A C Holding Enterprises, Inc.	960,501	
Jason Partners Holdings LLC	25,511	
Johnson Controls, Inc.	558,612	
K & N Parent, Inc.	1,104,853	
Lear Corporation	365,625	
Ontario Drive & Gear Ltd.	887,170	
Penske Corporation	527,280	
Qualis Automotive LLC	330,325	
	7,428,604	
<b>BEVERAGE, DRUG &amp; FOOD - 8.79%</b>		
1492 Acquisition LLC	1,242,282	
Bacardi Ltd	2,249,826	
Eatem Holding Company	1,094,444	
F F C Holding Corporation	1,128,875	
Golden County Foods Holding, Inc.	-	
Hospitality Mints Holding Company	1,122,524	
JMH Investors LLC	1,227,282	
Kraft Foods, Inc.	594,889	
Snacks Parent Corporation	1,144,571	
Spartan Foods Holding Company	1,185,999	
Specialty Commodities, Inc.	163,695	
<b>BROADCASTING &amp; ENTERTAINMENT - 0.87%</b>		
HOP Entertainment LLC	\$ -	
NBC Universal Media LLC	592,581	
Time Warner Cable, Inc.	568,945	
Sundance Investco LLC	-	
Workplace Media Holding Company	-	
	1,161,526	
<b>BUILDINGS &amp; REAL ESTATE - 1.97%</b>		
ACP Cascade Holdings LLC	-	
Duke Realty Limited Partnership	513,203	
Lennar Corporation	367,500	
Masco Corporation	408,596	
Sunrise Windows Holding Company	1,113,967	
TruStile Doors, Inc.	220,569	
	2,623,835	
<b>CHEMICAL, PLASTICS &amp; RUBBER - 2.03%</b>		
Capital Specialty Plastics, Inc.	515,888	
Cornerstone Chemical Company	382,500	
Nicoat Acquisitions LLC	644,708	
Omnova Solutions, Inc.	798,750	
Tronox Finance LLC	363,750	
	2,705,596	
<b>CONSUMER PRODUCTS - 9.25%</b>		
AMS Holding LLC	1,249,126	
Baby Jogger Holdings LLC	1,086,828	
Bravo Sports Holding Corporation	1,260,224	
Custom Engineered Wheels, Inc.	968,367	
gloProfessional Holdings, Inc.	1,242,279	
Handi Quilter Holding Company	599,961	
K N B Holdings Corporation	2,311,177	
Manhattan Beachwear Holding Company	745,098	
Perry Ellis International, Inc.	393,750	
R A J Manufacturing Holdings LLC	876,541	
Tranzonic Companies (The)	1,587,249	

Tyson Foods, Inc.	544,063	12,320,600
	11,698,450	

---

34

---

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Industry Classification: (Continued)	Fair Value/ Market Value	Fair Value/ Market Value	
CONTAINERS, PACKAGING & GLASS - 4.10%		DIVERSIFIED/CONGLOMERATE, SERVICE - 9.47%	
Flutes, Inc.	\$ 498,551	A S C Group, Inc.	\$ 146,513
P K C Holding Corporation	1,927,386	A W X Holdings Corporation	315,000
P P T Holdings LLC	1,110,602	Advanced Technologies Holdings	791,094
Paradigm Packaging, Inc.	908,747	Anglogold Holdings PLC	635,086
Rose City Holding Company	619,645	Apex Analytix Holding Corporation	1,285,178
Vitex Packaging Group, Inc.	391,157	Bank of America Corporation	708,570
	5,456,088	C R H America, Inc.	511,517
DISTRIBUTION - 4.66%		Church Services Holding Company	545,039
Blue Wave Products, Inc.	697,790	Clough, Harbour and Associates	203,462
BP SCI LLC	1,240,421	Crane Rental Corporation	1,293,208
Duncan Systems, Inc.	594,400	ELT Holding Company	1,050,202
RM Holding Company	581,640	Equifax, Inc.	526,419
Signature Systems Holding Company	825,691	HVAC Holdings, Inc.	1,240,601
Stag Parkway Holding Company	1,237,530	Insurance Claims Management, Inc.	167,518
WP Supply Holding Corporation	1,021,360	Mail Communications Group, Inc.	306,747
	6,198,832	Nexeo Solutions LLC	19,500
DIVERSIFIED/CONGLOMERATE, MANUFACTURING - 9.35%		Northwest Mailing Services, Inc.	1,573,683
A H C Holding Company, Inc.	150,975	Pearlman Enterprises, Inc.	-
Advanced Manufacturing Enterprises LLC	1,208,140	Safety Infrastructure Solutions	776,906
Arrow Tru-Line Holdings, Inc.	899,921	ServiceMaster Company	517,500
C D N T, Inc.	664,301		12,613,743
F G I Equity LLC	301,340	ELECTRONICS - 1.87%	
G C Holdings	1,558,188	Connecticut Electric, Inc.	1,470,511
J.B. Poindexter Co., Inc.	522,500	Jabil Circuit, Inc.	498,125
K P H I Holdings, Inc.	265,782	Tech Data Corporation	520,771
			2,489,407
K P I Holdings, Inc.	1,583,468	FINANCIAL SERVICES - 6.13%	
LPC Holding Company	1,319,571	Ally Financial, Inc.	811,307
MEGTEC Holdings, Inc.	391,119	Alta Mesa Financial Services	791,250



Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

Nortek, Inc.	7,106	CIT Group, Inc.	533,894
O E C Holding Corporation	459,731	Citigroup, Inc.	500,583
Postle Aluminum Company LLC	1,799,919	GATX Corporation	530,533
Truck Bodies & Equipment International	1,313,315	General Electric Capital Corporation	592,484
	12,445,376	Goldman Sachs Group, Inc.	505,999
		Morgan Stanley	572,878
		REVSpring, Inc.	1,319,431
		Volvo Group Treasury NA	1,999,850
			8,158,209

---

35

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2013

(Unaudited)

Industry Classification: (Continued)	Fair Value/ Market Value		Fair Value/ Market Value
HEALTHCARE, EDUCATION & CHILDCARE - 7.64%		MACHINERY - 4.79%	
Alere, Inc.	\$ 315,375	ABC Industries, Inc.	\$ 608,746
American Hospice Management Holding LLC	2,093,028	Arch Global Precision LLC	1,137,651
CHG Alternative Education Holding Company	1,014,665	E S P Holdco, Inc.	1,495,119
DaVita, Inc.	519,375	M V I Holding, Inc.	132,257
GD Dental Services LLC	1,241,551	Motion Controls Holdings	1,025,966
Healthcare Direct Holding Company	714,102	NetShape Technologies, Inc. Pacific Consolidated Holdings LLC	1,259,329 42,187
HealthSouth Corporation	489,375	Thermadyne Holdings Corporation	272,500
Marshall Physicians Services LLC	500,423	Welltec A/S	409,688
Qwest Diagnostic, Inc.	547,190		6,383,443
SouthernCare Holdings, Inc. Strata/WLA Holding Corporation	84,970 893,726	MEDICAL DEVICES/BIOTECH - 1.86%	
Synteract Holdings Corporation	1,757,154	ETEX Corporation	-
Touchstone Health Partnership	-	Health Management Association	274,375
Wheaton Holding Corporation	10,170,934	MedSystems Holdings LLC	764,652
		MicroGroup, Inc.	225,682
HOME & OFFICE FURNISHINGS, HOUSEWARES, AND DURABLE CONSUMER PRODUCTS - 3.70%		NT Holding Company	1,060,545
Connor Sport Court International, Inc.	1,283,051	Precision Wire Holding Company	152,100
H M Holding Company	-	TherOX, Inc.	-
Home Décor Holding Company	360,362		2,477,354
Monessen Holding Corporation	-	MINING, STEEL, IRON & NON-PRECIOUS	
Steelcase, Inc.	552,797	METALS - 1.09%	
Transpac Holding Company	904,138	Alcoa, Inc.	653,254
U-Line Corporation	246,295	FMG Resources	261,875
		Peabody Energy Corporation	531,250
U M A Enterprises, Inc.	753,022		1,446,379
Wellborn Forest Holding Company	820,125	NATURAL RESOURCES - 2.16%	
		ArcelorMittal	540,000

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

	4,919,790	Headwaters, Inc.	326,350
		Intrepid Potash, Inc.	3,471
LEISURE, AMUSEMENT, ENTERTAINMENT - 0.84%		Westar Energy Inc.	1,999,822
Brunswick Corporation	526,250		2,869,643
International Game Technology	596,878		
	1,123,128		

---

36

---

Edgar Filing: BABSON CAPITAL PARTICIPATION INVESTORS - Form N-Q

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors  
 March 31, 2013  
 (Unaudited)

Industry Classification: (Continued)	Fair Value/ Market Value		Fair Value/ Market Value
OIL & GAS - 10.20%		TRANSPORTATION - 2.03%	
Bill Barrett Corporation	\$ 523,750	CHC Helicopter SA	\$ 1,063,125
Calumet Specialty Products Partners L.P.	983,750	Hertz Corporation	240,075
Continental Resources, Inc.	531,250	MNX Holding Company	1,222,649
Enbridge Energy Partners	2,249,915	NABCO, Inc.	175,461
Ensco PLC	639,073		2,701,310
EP Energy/EP Finance, Inc.	577,500	WASTE MANAGEMENT / POLLUTION - 1.51%	
Hilcorp Energy Company	357,500	Terra Renewal LLC	605,683
International Offshore Services LLC	-	Torrent Group Holdings, Inc.	1,398,398
MBWS Ultimate Holdco, Inc.	1,783,823		2,004,081
MEG Energy Corporation	520,000		
Niska Gas Storage Partners LLC	521,250		
Oneok, Inc.	1,999,883	Total Investments - 107.02%	\$ 142,480,661
Petroplex Inv Holdings LLC	1,214,760		
Precision Drilling Corporation	266,875		
Samson Investment Company	371,875		
Unit Corporation	523,750		
Weatherford International Limited	515,050		
	13,580,004		
PHARMACEUTICALS - 0.51%			
CorePharma LLC	415,944		
Valeant Pharmaceuticals International	269,375		
	685,319		
RETAIL STORES - 0.01%			
Rue21, Inc.	10,287		
TECHNOLOGY - 1.61%			
First Data Corporation	265,938		
Sencore Holding Company	289,308		
Smart Source Holdings LLC	1,588,101		
	2,143,347		
TELECOMMUNICATIONS - 2.05%			
All Current Holding Company	815,763		
CCO Holdings Capital Corporation	491,250		
Centurytel, Inc.	527,519		
Neustar Inc.	358,125		
Sprint Nextel Corporation	542,500		
	2,735,157		



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 March 31, 2013:

Assets:	Total	Level 1	Level 2	Level 3
Restricted Securities				
Corporate Bonds	\$ 81,302,097	\$ -	\$ 6,964,781	\$ 74,337,316
Common Stock - U.S.	9,198,773	-	-	9,198,773
Preferred Stock	5,985,222	-	-	5,985,222
Partnerships and LLCs	7,485,101	-	-	7,485,101
Public Securities				
Corporate Bonds	27,989,308	-	27,989,308	-
Common Stock - U.S.	20,864	20,864	-	-
Short-term Securities	10,499,296	-	10,499,296	-
Total	\$ 142,480,661	\$ 20,864	\$ 45,453,385	\$ 97,006,412

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 03/31/2013
Restricted Securities							
Corporate Bonds	\$81,060,756	\$ 139,123	\$2,683,082	\$(1,652,667)	\$(7,892,978)	\$-	\$74,337,316
Common Stock - U.S.	7,793,109	1,313,373	221,928	(129,637 )	-	-	9,198,773
Preferred Stock	5,786,187	173,357	25,678	-	-	-	5,985,222
Partnerships and LLCs	6,890,276	610,447	(15,622 )	-	-	-	7,485,101
Total	\$101,530,328	\$2,236,300	\$2,915,066	\$(1,782,304)	\$(7,892,978)	\$-	\$97,006,412



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 May 30, 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 May 30, 2013

By (Signature and Title)\*

/s/ James M. Roy

James M. Roy, Vice President and  
Chief Financial Officer

Date May 30, 2013

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

---