

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-Q

May 30, 2012

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: 03/31/12

ITEM 1. SCHEDULE OF INVESTMENTS.

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 85.95%: (A)				
Private Placement Investments - 82.04%				
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	\$139,751
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	92,308 shs.	11/10/09	68,566	69,876
* 11/10/09 and 11/18/09.			253,181	209,627
A H C Holding Company, Inc.				
A designer and manufacturer of boilers and water heaters for the commercial sector.				
15% Senior Subordinated Note due 2015	\$1,404,934	11/21/07	1,388,515	1,404,934
Limited Partnership Interest (B)	12.26% int.	11/21/07	119,009	169,810
			1,507,524	1,574,744
A S A P Industries LLC				
A designer and manufacturer of components used on oil and natural gas wells.				
Limited Liability Company Unit Class A-2 (B)	676 uts.	12/31/08	74,333	311,454
Limited Liability Company Unit Class A-3 (B)	608 uts.	12/31/08	66,899	280,311
			141,232	591,765
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.				
12.75% Senior Subordinated Note due 2016	\$1,227,273	10/09/09	1,093,427	1,239,546
Limited Liability Company Unit Class A (B)	2,186 uts.	*	214,793	286,913
Limited Liability Company Unit Class B (B)	1,473 uts.	10/09/09	144,716	193,332
* 10/09/09 and 10/27/10.			1,452,936	1,719,791
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	378,000
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				

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common stock at \$.01 per share (B)	21,099 shs.	05/15/08	35,654	-
			894,225	378,000
Advanced Technologies Holdings				
A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	546 shs.	12/27/07	270,000	623,705
Convertible Preferred Stock Series B (B)	28 shs.	01/04/11	21,600	31,767
			291,600	655,472

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors
 March 31, 2012
 (Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Aero Holdings, Inc.				
A provider of geospatial services to corporate and government clients.				
10.5% Senior Secured Term Note due 2014	\$465,000	03/09/07	\$462,528	\$465,000
14% Senior Subordinated Note due 2015	\$720,000	03/09/07	679,351	720,000
Common Stock (B)	150,000 shs.	03/09/07	150,000	335,926
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	37,780 shs.	03/09/07	63,730	84,609
			1,355,609	1,605,535
All Current Holding Company				
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	569,385	603,697
Common Stock (B)	713 shs.	09/26/08	71,303	66,274
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	507 shs.	09/26/08	46,584	47,126
			687,272	717,097
American Hospice Management Holding LLC				
A for-profit hospice care provider in the United States.				
12% Senior Subordinated Note due 2013	\$1,687,503	*	1,657,293	1,687,503
Preferred Class A Unit (B)	1,706 uts.	**	170,600	322,903
Preferred Class B Unit (B)	808 uts.	06/09/08	80,789	149,953
Common Class B Unit (B)	16,100 uts.	01/22/04	1	29,540
Common Class D Unit (B)	3,690 uts.	09/12/06	-	6,771
			1,908,683	2,196,670
* 01/22/04 and 06/09/08.				
** 01/22/04 and 09/12/06.				
Apex Analytix Holding Corporation				
A provider of audit recovery and fraud detection services and software to commercial and retail businesses in the U.S. and Europe.				
12.5% Senior Subordinated Note due 2014	\$1,012,500	04/28/09	914,669	1,012,500
Preferred Stock Series B (B)	1,623 shs.	04/28/09	162,269	219,537
Common Stock (B)	723 shs.	04/28/09	723	97,845
			1,077,661	1,329,882
Arch Global Precision LLC				
A leading manufacturer of high tolerance precision components and consumable tools.				
14.75% Senior Subordinated Note due 2018	\$755,672	12/21/11	736,136	755,991
Limited Liability Company Unit Class B (B)	28 uts.	12/21/11	28,418	26,450
Limited Liability Company Unit Class C (B)	222 uts.	12/21/11	221,582	206,219
			986,136	988,660

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2012

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Arrow Tru-Line Holdings, Inc.				
A manufacturer of hardware for residential and commercial overhead garage doors in North America.				
8% Senior Subordinated Note due 2014 (D)	\$ 1,054,025	05/18/05	\$964,526	\$685,116
Preferred Stock (B)	33 shs.	10/16/09	33,224	-
Common Stock (B)	263 shs.	05/18/05	263,298	-
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	69 shs.	05/18/05	59,362	-
			1,320,410	685,116
Associated Diversified Services				
A provider of routine maintenance and repair services primarily to electric utility companies predominantly on electric power distribution lines.				
10% Senior Secured Term Note due 2016 (C)	\$292,000	09/30/10	286,126	292,000
13% Senior Subordinated Note due 2017	\$332,000	09/30/10	301,021	335,320
Limited Liability Company Unit Class B (B)	36,000 uts.	09/30/10	36,000	48,877
Limited Liability Company Unit Class B (B)	27,520 uts.	09/30/10	27,520	37,363
			650,667	713,560
Barcodes Group, Inc.				
A distributor and reseller of automatic identification and data capture equipment, including mobile computers, scanners, point-of-sale systems, labels, and accessories.				
13.5% Senior Subordinated Note due 2016	\$648,435	07/27/10	622,805	661,403
Preferred Stock (B)	13 shs.	07/27/10	131,496	131,500
Common Stock Class A (B)	44 shs.	07/27/10	437	64,696
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	8 shs.	07/27/10	76	11,227
			754,814	868,826
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	\$ 1,207,902	06/30/06	1,179,015	301,976
Preferred Stock Class A (B)	465 shs.	06/30/06	141,946	-
Common Stock (B)				