

BABSON CAPITAL PARTICIPATION INVESTORS

Form N-30D

November 30, 2012

Adviser

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

Transfer Agent & Registrar

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Kansas City, MO 64121-9086
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Independent Registered Public Accounting Firm

KPMG LLP
Boston, Massachusetts 02110

Internet Website

www.babsoncapital.com/mpv

Counsel to the Trust

Ropes & Gray LLP
Boston, Massachusetts 02110

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

State Street Bank and Trust Company
Boston, Massachusetts 02116

Investment Objective and Policy

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

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

Form N-Q

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

Proxy Voting Policies & Procedures; Proxy Voting Record

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital. A description of Babson Capital’s proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 866-399-1516; (2) on the Trust’s website: <http://www.babsoncapital.com/mpv>; and (3) on the SEC’s website at <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (1) on the Trust’s website: <http://www.babsoncapital.com/mpv>; and (2) on the SEC’s website at <http://www.sec.gov>.

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

Babson Capital Participation Investors

To Our Shareholders

October 31, 2012

We are pleased to present the September 30, 2012 Quarterly Report of Babson Capital Participation Investors (the "Trust").

The Board of Trustees declared a quarterly dividend of 27 cents per share, payable on November 9, 2012 to shareholders of record on October 29, 2012. The Trust paid a 27 cent per share dividend for the preceding quarter. The Trust earned 25 cents per share of net investment income for the third quarter of 2012, compared to 25 cents per share in the previous quarter.

During the third quarter, the net assets of the Trust increased to \$127,920,093 or \$12.58 per share compared to \$124,331,897 or \$12.25 per share on June 30, 2012. This translates into a 5.0% total return for the quarter, based on the change in the Trust's net assets assuming the reinvestment of all dividends. Longer term, the Trust returned 11.3%, 13.8%, 8.3%, and 113.9% for the 1-, 3-, 5-, and 10-year time periods, respectively, based on the change in the Trust's net assets assuming the reinvestment of all dividends.

The Trust's share price increased 8.3% during the quarter, from \$14.40 per share as of June 30, 2012 to \$15.59 per share as of September 30, 2012. The Trust's market price of \$15.59 per share equates to a 23.9% premium over the September 30, 2012 net asset value per share of \$12.58. The Trust's average quarter-end premium for the 3, 5 and 10-year periods was 17.5%, 9.3% and 10.5%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, increased 5.3% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, increased 4.5% for the quarter.

The Trust closed two new private placement investments and four "follow-on" investments in existing portfolio companies during the third quarter. The two new investments were in ABC Industries, Inc. and HVAC Holdings, Inc., while the four follow-on investments were in CHG Alternative Education Holding Company, DPC Holdings LLC, LPC Holding Company and Merex Holding Corporation. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in these transactions was \$2,768,000.

U.S. middle market buyout activity picked up nicely in the third quarter of 2012, and has remained strong so far in the fourth quarter. Despite the increase in deal activity, the continued abundance of capital, including senior debt, mezzanine debt and equity capital, has caused purchase price multiples and leverage levels for middle market transactions to remain high. In the face of these aggressive market conditions, we were pleased to be able to close six new investments in the third quarter. We expect our fourth quarter investment activity to be even stronger. In fact, in the first month of the fourth quarter, we have already closed five new investments and we have several more in process. Though we are actively closing new deals, we are doing so cautiously and with discipline, consistent with our longstanding investment philosophy of taking prudent levels of risk and getting paid appropriately for the risks taken. This approach has served us well for many years and through all kinds of market cycles.

We continue to be pleased with the performance of our portfolio companies, as most reported improved operating results in the third quarter of 2012. Several more of our companies were also able to resume paying cash interest on their debt obligations due to their improved financial results and liquidity positions. Realization activity for the Trust in the third quarter was strong once again, with four companies, Aero Holdings, Inc., Nyloncraft, Inc., Power Services Holding Company, and Stanton Carpet Holding Company, sold for nice gains. The Nyloncraft realization is particularly noteworthy. In January 2002, we made our original investment in the company, which is a supplier of

plastic components to the U.S. automotive industry. Nyloncraft's performance was negatively impacted by the severe downturn in the auto industry in 2008-2009. Thanks to the efforts of the transaction sponsor, Hammond,

(Continued)

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Kennedy, Whitney & Company, and the company's management team, the company survived the downturn and actually gained market share as the industry rebounded in 2010. Our patience with the company ultimately paid off as the company was sold in September 2012 and we realized nearly two and one-half times our original investment. Since the end of the third quarter, we have had another three companies sold, bringing the year-to-date total to 14 realizations for the portfolio. We have a few more companies that we expect to be sold by year-end. Overall, 2012 will be a very strong year for portfolio company sales. In addition to this realization activity, refinancing activity, in which the Trust's subordinated note holdings are fully or partially prepaid, continues at a high level, as companies seek to take advantage of improved operating performance, low interest rates and credit availability. We have had 14 full or partial prepayments so far this year. As mentioned in prior reports, strong realization and refinancing activity is a double-edged sword, as the resulting loss of income-producing investments could adversely impact the Trust's ability to sustain its dividend level. We have been fortunate that our new investment activity in recent periods has been strong and has enabled us to maintain the income-generating capacity of the portfolio.

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

Sincerely,

Michael L. Klofas
President

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

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

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES Babson Capital Participation Investors
September 30, 2012
(Unaudited)

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value

(Cost - \$106,946,713)

\$95,717,951

Corporate restricted securities at market value

(Cost - \$8,349,289)

8,580,036

Corporate public securities at market value

(Cost - \$25,166,233)

26,864,165

Short-term securities at amortized cost

8,499,843

Total investments (Cost - \$148,962,078)

139,661,995

Cash

3,916,368

Interest receivable

1,501,718

Receivable for investments sold

14,391

Other assets

29,426

Total assets

145,123,898

Liabilities:

Note payable

15,000,000

Payable for investments purchased

1,042,628

Deferred tax liability

539,228

Investment advisory fee payable

287,820

Interest payable

27,267

Accrued expenses

306,862

Total liabilities

17,203,805

Total net assets

\$ 127,920,093

Net Assets:

Common shares, par value \$.01 per share

\$ 101,674

Additional paid-in capital

94,840,733

Retained net realized gain on investments, prior years

33,183,269

Undistributed net investment income

3,611,666

Accumulated net realized gain on investments

6,022,062

Net unrealized depreciation of investments

(9,839,311)

Total net assets

\$ 127,920,093

Common shares issued and outstanding (14,785,750 authorized)

10,167,431

Net asset value per share

\$ 12.58

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

For the nine months ended September 30, 2012

(Unaudited)

Investment Income:

Interest	\$9,311,928
Dividends	367,668
Other	104,723

Total investment income	9,784,319
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Expenses:

Investment advisory fees	844,816
Interest	460,125
Trustees' fees and expenses	340,000
Professional fees	214,900
Reports to shareholders	43,500
Custodian fees	27,000
Other	24,373

Total expenses	1,954,714
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Investment income - net	7,829,605
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Net realized and unrealized gain on investments:

Net realized gain on investments before taxes	4,143,346
Income tax expense	(4,314)
Net realized gain on investments after taxes	4,139,032
Net change in unrealized depreciation of investments before taxes	351,846
Net change in deferred income tax expense	(37,100)
Net change in unrealized depreciation of investments after taxes	314,746

Net gain on investments	4,453,778
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Net increase in net assets resulting from operations	\$12,283,383
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See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Babson Capital Participation Investors

For the nine months ended September 30, 2012

(Unaudited)

Net decrease in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$(463,283)
Purchases of portfolio securities	(28,869,455)
Proceeds from disposition of portfolio securities	30,938,685
Interest, dividends and other income received	7,949,031
Interest expense paid	(463,533)
Operating expenses paid	(1,373,515)
Income taxes paid	(4,314)

Net cash provided by operating activities	7,713,616
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Cash flows from financing activities:

Cash dividends paid from net investment income	(9,724,641)
Receipts for shares issued on reinvestment of dividends	794,693

Net cash used for financing activities	(8,929,948)
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Net decrease in cash	(1,216,332)
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Cash - beginning of year	5,132,700
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Cash - end of period	\$3,916,368
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Reconciliation of net increase in net assets to net cash provided by operating activities:

Net increase in net assets resulting from operations	\$12,283,383
Increase in investments	(5,619,033)
Increase in interest receivable	(223,571)
Increase in receivable for investments sold	(14,391)
Decrease in other assets	89,834
Increase in payable for investments purchased	1,042,628
Increase in deferred tax liability	37,100
Increase in investment advisory fee payable	17,101
Decrease in interest payable	(3,408)
Increase in accrued expenses	103,973

Total adjustments to net assets from operations	(4,569,767)
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Net cash provided by operating activities	\$7,713,616
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See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the nine months ended 09/30/2012 (Unaudited)	For the year ended 12/31/2011
Increase in net assets:		
Operations:		
Investment income - net	\$ 7,829,605	\$ 11,526,972
Net realized gain on investments after taxes	4,139,032	627,341
Net change in unrealized depreciation of investments after taxes	314,746	166,242
Net increase in net assets resulting from operations	12,283,383	12,320,555
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2012 - 55,545; 2011 - 61,615)	794,693	871,579
Dividends to shareholders from:		
Net investment income (2012 - \$0.54 per share; 2011 - \$1.23 per share)	(5,477,649)	(12,387,295)
Net realized gains (2012 - \$0.00 per share; 2011 - \$0.00 per share)	-	(25,408)
Total increase in net assets	7,600,427	779,431
Net assets, beginning of year	120,319,666	119,540,235
Net assets, end of period/year (including undistributed net investment income of \$3,611,666 and \$1,259,710, respectively)	\$127,920,093	\$ 120,319,666

See Notes to Consolidated Financial Statements

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Babson Capital Participation Investors

Selected data for each share of beneficial interest outstanding:

	For the nine months ended 09/30/2012 (Unaudited)	For the years ended December 31,						
		2011	2010	2009	2008	2007		
Net asset value:								
Beginning of year	\$ 11.90	\$ 11.89	\$ 10.91	\$ 11.10	\$ 12.84	\$ 12.90		
Net investment income (a)	0.77	1.14	1.02	0.94	1.08	1.23		
Net realized and unrealized gain (loss) on investments	0.44	0.08	0.95	(0.13)	(1.82)	(0.05)		
Total from investment operations	1.21	1.22	1.97	(0.81)	0.74	1.18		
Dividends from net investment income to common shareholders	(0.54)	(1.23)	(1.00)	(1.00)	(1.00)	(1.23)		
Dividends from net realized gain on investments to common shareholders	-	(0.00)	(b) -	-	-	(0.02)		
Increase from dividends reinvested	0.01	0.02	0.01	0.00	0.00	0.01		
Total dividends	(0.53)	(1.21)	(0.99)	(1.00)	(1.00)	(1.24)		
Net asset value:								
End of period/year	\$ 12.58	\$ 11.90	\$ 11.89	\$ 10.91	\$ 11.10	\$ 12.84		
Per share market value:								
End of period/year	\$ 15.59	\$ 15.85	\$ 13.88	\$ 12.20	\$ 9.05	\$ 13.18		
Total investment return								
Net asset value (c)	10.46 %	10.56 %	18.71 %	7.60 %	(6.01 %)	9.95 %		
Market value (c)	2.23 %	24.16 %	22.94 %	40.86 %	(25.36 %)	(1.30 %)		
Net assets (in millions):								
End of period/year	\$ 127.92	\$ 120.32	\$ 119.54	\$ 108.93	\$ 110.18	\$ 126.63		
Ratio of operating expenses to average net assets	1.62 %	(e) 1.42 %	1.46 %	1.41 %	1.33 %	1.36 %		

Ratio of interest expense to average net assets	0.50	%(e)	0.56	%	0.61	%	0.63	%	0.58	%	0.56	%
Ratio of income tax expense to average net assets (d)	0.00	%(e)	0.20	%	0.46	%	0.00	%	0.00	%	0.48	%
Ratio of net expenses to average net assets	2.12	%(e)	2.18	%	2.53	%	2.04	%	1.91	%	2.40	%
Ratio of net investment income to average net assets	8.47	%(e)	9.33	%	8.96	%	8.55	%	8.74	%	9.32	%
Portfolio turnover	24	%	21	%	27	%	23	%	32	%	33	%

(a) Calculated using average shares.

(b) Rounds to less than \$0.01 per share.

(c) Net asset value return represents portfolio returns based on change in the Trust's net asset value assuming the reinvestment of all dividends and distributions which differs from the total investment return based on the Trust's market value due to the difference between the Trust's net asset value and the market value of its shares outstanding; past performance is no guarantee of future results.

(d) As additional information, this ratio is included to reflect the taxes paid on retained long-term gains. These taxes paid are netted against realized capital gains in the Statement of Operations. The taxes paid are treated as deemed distributions and a credit for the taxes paid is passed on to shareholders.

(e) Annualized

Senior borrowings:

Total principal amount (in millions)	\$15	\$15	\$12	\$12	\$12	\$12
Asset coverage per \$1,000 of indebtedness	\$9,528	\$9,021	\$10,962	\$10,077	\$10,181	\$11,552

See Notes to Consolidated Financial Statements

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2012

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 81.54%: (A)				
Private Placement Investments - 74.83%				
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	\$173,352
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	92,308 shs.	11/10/09	68,566	86,676
			253,181	260,028
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	\$1,426,441	11/21/07	1,411,770	1,426,441
Limited Partnership Interest (B)	12.26% int.	11/21/07	119,009	165,122
			1,530,779	1,591,563
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	337,245
Limited Liability Company Unit Class A-3 (B)	608 uts.	12/31/08	66,899	303,523
			141,232	640,768
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	1,103,979	1,239,546
Limited Liability Company Unit Class A (B)	2,186 uts.	*	214,793	296,506
Limited Liability Company Unit Class B (B)	1,473 uts.	10/09/09	144,716	199,795
* 10/09/09 and 10/27/10.			1,463,488	1,735,847
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
ABC Industries, Inc.				
A manufacturer of mine and tunneling ventilation products in the U.S.				
13% Senior Subordinated Note due 2019	\$ 600,000	08/01/12	537,925	600,808
Preferred Stock Series A (B)	150,000 shs.	08/01/12	150,000	142,500
Warrant, exercisable until 2022, to				
purchase				
common stock at \$.01 per share (B)	26,897 shs.	08/01/12	50,935	269
			738,860	743,577

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors
September 30, 2012
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Advanced Technologies Holdings				
A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	546 shs.	12/27/07	\$270,000	\$675,720
Convertible Preferred Stock Series B (B)	28 shs.	01/04/11	21,600	34,416
			291,600	710,136
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	573,331	603,697
Common Stock (B)	713 shs.	09/26/08	71,303	97,307
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	507 shs.	09/26/08	46,584	69,193
			691,218	770,197
American Hospice Management Holding LLC				
A for-profit hospice care provider in the United States.				
12% Senior Subordinated Note due 2013	\$1,687,503	*	1,665,322	1,687,503
Preferred Class A Unit (B)	1,706 uts.	**	170,600	336,093
Preferred Class B Unit (B)	808 uts.	06/09/08	80,789	93,970
Common Class B Unit (B)	16,100 uts.	01/22/04	1	-
Common Class D Unit (B)	3,690 uts.	09/12/06	-	-
* 01/22/04 and 06/09/08.			1,916,712	2,117,566
** 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 2017	\$ 1,012,500	04/28/09	918,235	1,012,500
Preferred Stock Series B (B)	1,623 shs.	04/28/09	162,269	98,751
Common Stock (B)	723 shs.	04/28/09	723	44,012
			1,081,227	1,155,263
Arch Global Precision LLC				
A leading manufacturer of high tolerance precision components and consumable tools.				
14.75% Senior Subordinated Note due 2018	\$ 766,098	12/21/11	747,852	802,826
Limited Liability Company Unit Class B (B)	28 uts.	12/21/11	28,418	37,046
Limited Liability Company Unit Class C (B)	222 uts.	12/21/11	221,582	288,834

997,852

1,128,706

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 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	\$ 895,921
Preferred Stock (B)	33 shs.	10/16/09	33,224	-
Common Stock (B)	263 shs.	05/18/05	263,298	-
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)				
	69 shs.	05/18/05	59,362	-
			1,320,410	895,921
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)				
	\$ 252,000	09/30/10	247,385	255,860
13% Senior Subordinated Note due 2017				
	\$ 332,000	09/30/10	302,891	332,000
Limited Liability Company Unit Class B (B)				
	36,000 uts.	09/30/10	36,000	44,215
Limited Liability Company Unit Class B (B)				
	27,520 uts.	09/30/10	27,520	33,800
			613,796	665,875
Baby Jogger Holdings LLC				
A designer and marketer of premium baby strollers and stroller accessories.				
14% Senior Subordinated Note due 2019				
	\$ 932,861	04/20/12	915,181	950,511
Common Stock (B)	754 shs.	04/20/12	75,376	88,336
			990,557	1,038,847
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				
	\$ 651,735	07/27/10	628,369	658,252
Preferred Stock (B)	13 shs.	07/27/10	131,496	131,500
Common Stock Class A (B)	44 shs.	07/27/10	437	98,887

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Warrant, exercisable until 2020, to
purchase

common stock at \$.01 per share (B)	8 shs.	07/27/10	76	17,160
			760,378	905,799

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	1,184,711	301,976
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Preferred Stock Class A (B)	465 shs.	06/30/06	141,946	-
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Common Stock (B)	1 sh.	06/30/06	152	-
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Warrant, exercisable until 2014, to
purchase

common stock at \$.01 per share (B)	164 shs.	06/30/06	48,760	-
			1,375,569	301,976

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) Babson Capital Participation Investors
September 30, 2012
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	\$ 187,718	08/07/08	\$ 186,309	\$ 187,718
12.5% Senior Subordinated Note due 2015	\$ 429,070	08/07/08	407,142	429,070
Common Stock (B)	41,860 shs.	08/07/08	41,860	48,060
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	32,914 shs.	08/07/08	32,965 668,276	37,789 702,637
Capital Specialty Plastics, Inc.				