



**TAX INFORMATION
 DIVIDENDS FOR 2013**

Dear Shareholders:

We are pleased to inform shareholders of Babson Capital Participation Investors (the “Trust”) that a quarterly dividend of \$.27 per-share was paid on January 17, 2014 to shareholders of record on December 31, 2013.

The January 17th distribution represents 2013 calendar year dividend for federal income tax purposes and are included on IRS Form 1099-Div. The entire \$.27 per-share distribution represents ordinary income for Federal income tax purposes.

The dividends declared and paid during 2013 and the January 17, 2014 dividend resulted in the Trust’s distribution of substantially all of its net investment income for the calendar year 2013. These dividends are included on your IRS Form 1099-Div for 2013. No portion of the Trust’s distributions are being made out of capital gains.

The following table summarizes, for federal income tax purposes, the cash dividends paid by the Trust for the calendar year 2013:

RECORD DATE	PAYMENT DATE	CASH DIVIDEND PER SHARE	ORDINARY INCOME GAINS
4/29/13	5/10/13	\$.27	\$.27
8/5/13	8/16/13	.27	.27
10/28/13	11/8/13	.27	.27
12/31/13	1/17/14	.27	.27
		\$ 1.08	\$ 1.08

The entire \$1.08 per-share cash dividend declared in 2013 is included as ordinary income on your IRS Form 1099-Div for 2013. Of this amount, approximately \$0.0228 per share represents qualified dividends. For shareholders who are individuals, qualified dividends are taxed as long-term capital gains, generally at a tax rate of 15%. Qualified dividends are reported in Box 1b on IRS Form 1099-DIV for 2013. The \$1.08 per-share dividend consists of the following components: \$0.9434 per-share is from net investment income from 2013 and \$0.1366 per share is from undistributed net investment income from 2012. The undistributed net investment income from 2012 was distributed in the May 2013 dividend.

Michael L. Klofas
 President

January 2014