



**TAX INFORMATION
 DIVIDENDS FOR 2014**

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 16, 2015 to shareholders of record on December 31, 2014.

The January 16th distribution represents 2014 calendar year dividend for federal income tax purposes and are included on IRS Form 1099-Div.

The dividends declared and paid during 2014 and the January 16, 2015 dividend resulted in the Trust’s distribution of substantially all of its net investment income for the calendar year 2014. These dividends are included on your IRS Form 1099-Div for 2014. Approximately \$0.12 per share of the Trust’s distributions is 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:

<u>Record Date</u>	<u>Payment Date</u>	<u>Cash Dividend Per Share</u>	<u>Ordinary Income</u>	<u>Capital Gains</u>
4/28/14	5/9/14	\$.27	\$.27	\$.00
8/1/14	8/15/14	.27	.27	.00
11/3/14	11/14/14	.27	.27	.00
12/31/14	1/16/15	<u>.27</u>	<u>.15</u>	<u>.12</u>
		\$ 1.08	\$ 0.96	\$ 0.12

Of the \$1.08 per-share dividend amount, approximately \$0.0799 per share represents qualified dividends. For shareholders who are individuals, qualified dividends are taxed as long-term capital gains. Qualified dividends are reported in Box 1b on IRS Form 1099-DIV for 2014. The \$1.08 per-share dividend consists of the following components: \$0.9231 per-share is from net investment income from 2014, \$0.0369 per share is from undistributed net investment income from 2013 and \$0.1200 per share is from capital gains from 2014. The undistributed net investment income from 2013 was distributed in the May 2014 dividend.

Michael L. Klofas
 President

January 2015