

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

MASSMUTUAL PARTICIPATION INVESTORS  
Form N-CSR  
March 06, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number 811-5531  
-----

MassMutual Participation Investors  
-----

(Exact name of registrant as specified in charter)

1500 Main Street, P.O. Box 15189, Springfield, MA 01115-5189  
-----

(Address of principal executive offices) (Zip code)

Patrica J. Walsh, Vice President, Secretary and Chief Legal Officer  
1500 Main Street, Suite 2800, P.O. Box 15189, Springfield, MA 01115-5189  
-----

(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: 12/31/08  
-----

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 110 F Street NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORT TO STOCKHOLDERS.

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Attached hereto is the annual shareholder report transmitted to shareholders pursuant to Rule 30e-1 of the Investment Company Act of 1940, as amended.

[LOGO] MASSMUTUAL PARTICIPATION INVESTORS

2008 ANNUAL REPORT

MASSMUTUAL PARTICIPATION INVESTORS  
c/o Babson Capital Management LLC  
1500 Main Street  
Suite 600, P.O. Box 15189  
Springfield, Massachusetts 01115-5189  
(413) 226-1516  
<http://www.BabsonCapital.com/mpv>

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
KPMG LLP  
Boston, Massachusetts 02110

COUNSEL TO THE TRUST  
Ropes & Gray LLP  
Boston, Massachusetts 02110

CUSTODIAN  
Citibank, N.A.  
New York, New York 10043

TRANSFER AGENT & REGISTRAR  
Shareholder Financial Services, Inc.  
P.O. Box 173673  
Denver, Colorado 80217-3673  
1-800-647-7374

MPV  
Listed  
NYSE

PROXY VOTING POLICIES & PROCEDURES;  
PROXY VOTING RECORD

The Trustees of MassMutual Participation Investors (the "Trust") have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital Management LLC ("Babson Capital"). A description of

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Babson Capital's proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 1-866-399-1516; (2) on the Trust's website at <http://www.BabsonCapital.com/mpv>; and (3) on the U.S. Securities and Exchange Commission's ("SEC") 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, 2008 is available (1) on the Trust's web-site at <http://www.BabsonCapital.com/mpv>; and (2) on the SEC's website at <http://www.sec.gov>.

### FORM N-Q

The Trust files its complete schedule of portfolio holdings with the 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 on the Trust's website at <http://www.BabsonCapital.com/mpv> or upon request by calling, toll-free, 1-866-399-1516.

---

### MassMutual Participation Investors

#### MASSMUTUAL PARTICIPATION INVESTORS

---

MassMutual Participation Investors is a closed-end investment company, first offered to the public in 1988, whose shares are traded on the New York Stock Exchange.

#### INVESTMENT OBJECTIVE & POLICY

---

MassMutual Participation Investors (the "Trust") is a closed-end 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 as "MassPrt" or "MassMuPrt" 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 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.

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 quarterly 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.

In this report you will find a complete listing of the Trust's holdings. We encourage you to read this section carefully for a better understanding of the Trust. We cordially invite all shareholders to attend the Trust's Annual Meeting of Shareholders, which will be held on April 24, 2009 at 1:30 P.M. in Springfield, Massachusetts.

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

-----  
 MassMutual Participation Investors

1

TOTAL ANNUAL PORTFOLIO RETURN (AS OF 12/31 EACH YEAR) \*

[BAR CHART APPEARS HERE]

MASSMUTUAL PARTICIPATION INVESTORS (BASED ON CHANGE IN THE NET ASSET VALUE WITH REINVESTED DIVIDENDS)	4.77	8.11	3.41	5.70	23.72	25.14	22.51	18.64
RUSSELL 2000 INDEX	21.26	-3.03	2.49	-20.48	47.25	18.33	4.55	18.37
BARCLAYS CAPITAL U.S. CORPORATE HIGH YIELD INDEX	2.39	-5.86	5.28	-1.41	28.97	11.13	2.74	11.85
	1999	2000	2001	2002	2003	2004	2005	2006

\* Data for MassMutual Participation Investors (the "Trust") represents portfolio returns based on change in the Trust's net asset value assuming the reinvestment of all dividends and distributions. These returns differ from the total investment return based on market value of the Trust's shares due to the difference between the Trust's net asset value and the market value of its shares outstanding (see page 12 for total investment return based on market value). Past performance is no guarantee of future results.

PORTFOLIO COMPOSITION AS OF 12/31/08\*

[PIE CHART APPEARS HERE]

Private / 144A High Yield Debt	65.5%	Public High Yield Debt	12.3%
Private / Restricted Equity	15.3%	Public Equity	0.3%
Cash & Short Term Investments	6.6%		

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

-----  
 2

MassMutual Participation Investors

TO OUR SHAREHOLDERS

-----  
 I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2008.

THE TRUST'S 2008 PORTFOLIO PERFORMANCE

The Trust's net total portfolio rate of return for 2008 was negative 6.01%, as measured by the change in net asset value and assuming the reinvestment of all dividends and distributions. The Trust's total net assets were \$110,175,930, or \$11.10 per share, as of December 31, 2008. This compares to \$126,625,334, or \$12.84 per share, as of December 31, 2007. The Trust paid a quarterly dividend

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

of 25 cents per share for each of the four quarters of 2008. Including the fourth quarter dividend paid in January 2009, total dividends for the year were \$1.00 per share.

The table below lists the average annual net returns of the Trust's portfolio, based on the change in net assets and assuming the reinvestment of all dividends and distributions. Average annual returns of the Barclays Capital U.S. Corporate High Yield Index and the Russell 2000 Small Cap Equity Index for the 1, 3, 5 and 10 years ended December 31, 2008 are provided for comparison.

	The Trust	Barclays Capital U.S. Corporate High Yield Index	Russell 2000 Index
1 Year	-6.01%	-26.16%	-33.27%
3 Year	7.03%	-5.59%	-8.29%
5 Year	13.45%	-0.80%	-0.93%
10 Year	11.15%	2.17%	3.02%

Past performance is no guarantee of future results.

The year 2008 was a challenging one at all levels. The U.S. economy declined into a recession and most asset classes performed below expectations. The mortgage and credit market crisis that began in mid-2007 expanded into a widespread economic recession that reached beyond the U.S. into every corner of the world. As credit markets weakened, businesses that relied on borrowing, including a number of well known financial firms, could not get the funds they needed and either closed or were acquired by others. Governments around the globe pumped capital into various institutions to try to improve the situation, but this had limited success. A crisis in investor confidence led to a flight to quality. This resulted in U.S. Treasury bills and bonds at record low yields.

As 2008 came to an end, significant concerns existed about the U.S. economy. How far will the downturn extend? When will the downturn end? What events will lead to a recovery? The unemployment rate was 7.2 percent in December and is expected to rise in 2009, according to the U.S. Department of Labor. Inflation spiked to 5.4 percent in August, but then plummeted to just 0.1 percent by year-end. The value of the dollar versus several other currencies rebounded in 2008 after dropping precipitously in 2007. Corporate credit defaults around the globe rose after five straight years of decline, according to Moody's Investors Service. Moody's global issuer-weighted speculative-grade default rate finished the year at 4 percent, up from 0.9 percent in 2007. Moody's expects the default rate to jump in 2009 to more than 15 percent in the U.S., well beyond its historical average of 5 percent.

### PORTFOLIO ACTIVITY

The Trust's investment activity during 2008 was very lumpy. During the first quarter of the year, the mezzanine and private equity markets in which the Trust participates continued to be affected by the credit dislocation that began in 2007. Less credit was available to fund transactions than had previously been available, so new investment activity was very slow. Credit became more readily available during the second and third quarters of 2008. As a result, new investment activity and portfolio company sale activity increased

-----  
MassMutual Participation Investors

3

during both quarters. Equally as important, the trend towards more conservative capital structures that began toward the end of 2007 continued into 2008. New

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

investments were structured with lower leverage than had generally been the case during the last several years. At the same time, pricing on these investments was also more favorable than it has been for several years. As the third quarter ended, however, the turmoil in the financial markets once again impacted middle market leveraged buyout activity. Senior debt financing became increasingly scarce and significantly more expensive as a number of senior debt providers withdrew from the market. Investment activity in the fourth quarter slowed dramatically as a result, and the slowdown has continued into 2009.

Overall, the Trust closed 23 new private placement transactions during 2008 and added to nine existing private placement investments. Total private placement purchases in 2008 were \$28,001,715.

Left to right:

Clifford M. Noreen  
President

Roger W. Crandall  
Chairman

[PHOTO OF PRESIDENT AND CHAIRMAN]

-----  
4

MassMutual Participation Investors

New private placement investments completed during 2008 were: ASAP Industries LLC; AWX Holdings Corporation; All Current Holding Company; CDNT, Inc.; Clough, Harbour and Associates; Coeur, Inc.; Crane Rental Corporation; ESP Holdco, Inc.; FCX Holdings Corporation; GQ Holdings LLC; Hospitality Mints Holding Company; KPI Holdings, Inc.; MVI Holding, Inc.; MedSystems Holdings LLC; MEGTEC Holdings, Inc.; Milwaukee Gear Company; Power Services Holding Company; REI Delaware Holding, Inc.; Specialty Commodities, Inc.; Synteract Holdings Corporation; THI Acquisition, Inc.; UMA Enterprises, Inc.; and Xaloy Superior Holdings, Inc.

In addition, the Trust added to existing private placement investments in American Hospice Management Holding LLC; Fuel Systems Holding Corporation; Morton Industrial Group, Inc.; Navis Global; NetShape Technologies, Inc.; Power Services Holding Company; Smart Source Holdings LLC; Tangent Rail Corporation and Truck Bodies & Equipment International.

Left to right:

Richard E. Spencer, II  
Vice President

Michael P. Hermsen  
Vice President

Jill A. Fields  
Vice President

Patricia J. Walsh  
Vice President,

# Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Secretary & Chief  
Legal Officer

Michael L. Klofas  
Vice President

[PHOTO OF OFFICERS]

James M. Roy  
Vice President  
& Chief Financial  
Officer

-----  
MassMutual Participation Investors

5

## OUTLOOK FOR 2009

-----

The year 2009 opened with a new U.S. President and with worldwide financial markets under severe pressure. The recession has business and consumers in a self-perpetuating negative cycle - nervous consumers and companies cut back spending, which puts pressure on company earnings, often necessitating businesses to lay off staff, further fanning fear. Governments continue to look at capital injections to help start a recovery, but banks are hesitant to lend, despite interest rates from the Federal Reserve at near zero. How long will it take before the world's economies return to a normal state? As always, no one can predict the future with any degree of certainty.

The current recessionary economic conditions have adversely affected the financial performance of many of the Trust's portfolio companies. In addition, middle market leveraged buyout activity, which drives new investment and portfolio company sale activity for the Trust, remains very slow. This will continue until senior debt financing becomes more widely available. As a result, we expect 2009 to be another challenging year, and one during which we will spend significant efforts on managing the Trust's existing portfolio of companies.

Regardless of the economic environment the Trust continues to repeatedly employ the investment philosophy that has served it well since its inception: investing in companies which we believe have a strong business proposition, solid cash flow and experienced, ethical management. This philosophy, combined with Babson Capital's seasoned investment-management team and the Trust's financial position, contribute to the Trust's being well positioned for future investment opportunities that meet its investment objectives and policies. As always, I would like to thank you for your continued interest in and support of MassMutual Participation Investors.

Sincerely,

/s/ Clifford M. Noreen  
Clifford M. Noreen,  
President

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 in 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

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

undertake no obligation to publicly update forward looking statements, whether as a result of new information, future events, or otherwise.

2008 Dividends	Record Date	Net Investment Income	Short-Term Gains	Tax Effect	Long-Term Gains
Regular	5/5/2008	0.2500	--		--
	8/1/2008	0.2500	--		--
	10/31/2008	0.2500	--		--
	12/31/2008	0.2500	--		--
		\$1.0000	\$ --	\$1.0000	\$ --

The Trust did not have distributable net long-term capital gains in 2008.

Annual Dividend Amount Per Share	Qualified for Dividend Received Deduction* Percent	Qualified Dividends** Amount Per Share	Qualified Dividends** Percent	Interest Earned U.S. Gov't. Obliga Percent	Interest Earned Amount Per
\$1.00	6.5605%	0.0655	6.8105%	0%	0.000

\* Not available to individual shareholders

\*\* Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2008

6

MassMutual Participation Investors

### FINANCIAL REPORT

Consolidated Statement of Assets and Liabilities	8
Consolidated Statement of Operations	9
Consolidated Statement of Cash Flows	10
Consolidated Statements of Changes in Net Assets	11
Consolidated Financial Highlights	12
Consolidated Schedule of Investments	13-34
Notes to Consolidated Financial Statements	35-40
Report of Independent Registered Public Accounting Firm	41
Interested Trustees	42-43
Independent Trustees	44-46
Officers of the Trust	47

MassMutual Participation Investors

7



## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

### CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

December 31, 2008

#### ASSETS:

##### Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$111,788,842)	\$ 100,077,804
Corporate public securities at market value (Cost - \$20,268,522)	15,593,179
Short-term securities at amortized cost	5,710,652
	-----
	121,381,635
	-----

Cash	2,443,883
Interest and dividends receivable	1,540,728
Receivable for investments sold	108,651
Prepaid taxes	150,000
	-----
<b>TOTAL ASSETS</b>	<b>125,624,897</b>
	-----

#### LIABILITIES:

Dividend payable	2,481,811
Payable for investments purchased	412,776
Investment advisory fee payable	247,896
Note payable	12,000,000
Interest payable	88,933
Accrued expenses	146,414
Accrued taxes payable	23,000
Other payables	48,137
	-----
<b>TOTAL LIABILITIES</b>	<b>15,448,967</b>
	-----

**TOTAL NET ASSETS** **\$ 110,175,930**

#### NET ASSETS:

Common shares, par value \$.01 per share; an unlimited number authorized	\$ 99,272
Additional paid-in capital	92,554,767
Retained net realized gain on investments, prior years	32,871,737
Undistributed net investment income	1,781,677
Accumulated net realized loss on investments	(745,142)
Net unrealized depreciation of investments	(16,386,381)
	-----

**TOTAL NET ASSETS** **\$ 110,175,930**

**COMMON SHARES ISSUED AND OUTSTANDING** **9,927,243**

**NET ASSET VALUE PER SHARE** **\$ 11.10**

See Notes to Consolidated Financial Statements

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

INVESTMENT INCOME:	
Interest	\$ 12,304,497
Dividends	650,486
Other	46,992
	-----
TOTAL INVESTMENT INCOME	13,001,975
	-----
EXPENSES:	
Investment advisory fees	1,091,087
Interest	702,229
Trustees' fees and expenses	163,000
Professional fees	159,750
Reports to shareholders	108,000
Custodian fees	27,557
Transfer agent/registrar's expenses	23,000
Other	55,415
	-----
TOTAL EXPENSES	2,330,038
	-----
INVESTMENT INCOME - NET	10,671,937
	-----
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS:	
Net realized loss on investments before taxes	(1,191,905)
Income tax benefit	26,877
	-----
NET REALIZED LOSS ON INVESTMENTS AFTER TAXES	(1,165,028)
	-----
NET CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENTS	(16,888,301)
	-----
NET LOSS ON INVESTMENTS	(18,053,329)
	-----
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (7,381,392)
	=====

See Notes to Consolidated Financial Statements

-----  
MassMutual Participation Investors

9

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended December 31, 2008

NET INCREASE IN CASH:	
Cash flows from operating activities:	
Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$ 2,123,561
Purchases of portfolio securities	(40,195,877)
Proceeds from disposition of portfolio securities	40,235,986
Interest, dividends and other received	13,928,434
Interest expense paid	(706,051)
Operating expenses paid	(1,598,522)
Income taxes paid	(855,715)



Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Increase from common shares issued on reinvestment of dividends		
Common shares issued (2008 - 65,632; 2007 - 56,329)	847,131	828,06
Dividends to shareholders from:		
Net investment income (2008 - \$1.00 per share; 2007 - \$1.23 per share)	(9,915,143)	(12,127,93
Net realized gains on investments (2007 - \$0.02 per share)	--	(187,64
TOTAL (DECREASE) INCREASE IN NET ASSETS	(16,449,404)	110,32
NET ASSETS, BEGINNING OF YEAR	126,625,334	126,515,01
NET ASSETS, END OF YEAR (INCLUDING UNDISTRIBUTED NET INVESTMENT INCOME OF \$1,781,677 AND \$991,196, RESPECTIVELY)	\$ 110,175,930	\$ 126,625,33

See Notes to Consolidated Financial Statements

MassMutual Participation Investors

11

CONSOLIDATED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	2008	For the years ended December 31, 2007	2006	2005	2004
NET ASSET VALUE: BEGINNING OF YEAR	\$ 12.84	\$ 12.90	\$ 12.21	\$ 11.13	\$ 10.00
Net investment income (a)	1.08	1.23	1.10	0.99	
Net realized and unrealized gain (loss) on investments	(1.82)	(0.05)	0.77	1.09 (b)	
TOTAL FROM INVESTMENT OPERATIONS	(0.74)	1.18	1.87	2.08	
Dividends from net investment income to common shareholders	(1.00)	(1.23)	(1.18)	(1.01)	(0.99)
Dividends from net realized gain on investments to common shareholders	--	(0.02)	(0.01)	--	
Increase from dividends reinvested	0.00 (c)	0.01	0.01	0.01	
TOTAL DIVIDENDS	(1.00)	(1.24)	(1.18)	(1.00)	(0.99)
NET ASSET VALUE: END OF YEAR	\$ 11.10	\$ 12.84	\$ 12.90	\$ 12.21	\$ 11.13
PER SHARE MARKET VALUE: END OF YEAR	\$ 9.05	\$ 13.18	\$ 14.70	\$ 14.05	\$ 13.18
Total investment return Net asset value (d)	(6.01%)	9.95%	18.64%	22.51%	25.00%

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Market value	(25.36%)	(1.30%)	16.81%	17.25%	25.36%
Net assets (in millions): End of year	\$ 110.18	\$ 126.63	\$ 126.52	\$ 119.02	\$ 110.18
Ratio of operating expenses to average net assets	1.33%	1.36%	1.17%	1.45%	1.33%
Ratio of interest expense to average net assets	0.58%	0.56%	0.57%	0.80%	0.58%
Ratio of income tax expense to average net assets (e)	0.00%	0.48%	2.68%	2.83%	0.00%
Ratio of total expenses before custodian reduction to average net assets (e)	1.91%	2.40%	4.46%	5.12%	1.91%
Ratio of net expenses after custodian reduction to average net assets (e)	1.91%	2.40%	4.42%	5.08%	1.91%
Ratio of net investment income to average net assets	8.74%	9.32%	8.43%	8.45%	8.74%
Portfolio turnover	32%	33%	34%	32%	32%

- (a) Calculated using average shares.  
 (b) Amount includes \$0.10 per share in litigation proceeds.  
 (c) Rounds to less than \$0.01 per share.  
 (d) 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.  
 (e) As additional information, this ratio is included to reflect the taxes paid on retained long-term capital 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 through to the shareholders.

Senior borrowings:

Total principal amount (in millions)	\$ 12	\$ 12	\$ 12	\$ 12	\$ 12
Asset coverage per \$1,000 of indebtedness	\$ 10,181	\$ 11,552	\$ 11,543	\$ 10,918	\$ 10,181

See Notes to Consolidated Financial Statements

-----  
 12 MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
 December 31, 2008

	Principal Amount	Acquisition
	Shares, Units or	Date
	Ownership	
	Percentage	
-----		
CORPORATE RESTRICTED SECURITIES - 90.84% (A)		

PRIVATE PLACEMENT INVESTMENTS - 88.43%

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	\$ 1,273,197	11/21/07
Limited Partnership Interest (B)	12.26% int.	11/21/07

A S A P INDUSTRIES LLC

A designer and manufacturer of components used on oil and natural gas wells.

12.5% Senior Subordinated Note due 2015	\$ 600,667	12/31/08
Limited Liability Company Unit Class A-2 (B)	677 uts.	12/31/08
Limited Liability Company Unit Class A-3 (B)	608 uts.	12/31/08

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

### A T I ACQUISITION COMPANY

A for-profit post-secondary school serving students in Texas, Florida and Arizona.

12% Senior Subordinated Note due 2012	\$ 1,125,000	04/08/04
Warrant, exercisable until 2012, to purchase preferred stock at \$.01 per share (B)	7 shs.	11/16/07
Warrant, exercisable until 2012, to purchase common stock at \$.02 per share (B)	1,230 shs.	04/08/04

### A W X HOLDINGS CORPORATION

A provider of aerial equipment rental, sales and repair services to non-residential construction operating in Indiana.

10.5% Senior Secured Term Note due 2014	\$ 420,000	05/15/08
13% Senior Subordinated Note due 2015	\$ 420,000	05/15/08
Common Stock (B)	60,000 shs.	05/15/08
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	21,099 shs.	05/15/08

### ADVANCED TECHNOLOGIES HOLDINGS

A provider of factory maintenance services to industrial companies.

15% Senior Subordinated Note due 2013	\$ 1,113,134	12/27/07
Preferred Stock (B)	546 shs.	12/27/07

### AERO HOLDINGS, INC.

A provider of geospatial services to corporate and government clients.

10.5% Senior Secured Term Note due 2014	\$ 930,000	03/09/07
14% Senior Subordinated Note due 2015	\$ 720,000	03/09/07
Common Stock (B)	150,000 shs.	03/09/07
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	37,780 shs.	03/09/07

MassMutual Participation Investors

13

### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2008

	Principal Amount	
	Shares, Units or	
	Ownership	Acquisition
	Percentage	Date

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

### 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
Common Stock (B)	713 shs.	09/26/08
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	507 shs.	09/26/08

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

### AMERICAN HOSPICE MANAGEMENT HOLDING LLC

A for-profit hospice care provider in the United States.

12% Senior Subordinated Note due 2013	\$	1,687,503		
Preferred Class A Unit (B)		1,706 uts.		**
Preferred Class B Unit (B)		808 uts.		06/09/08
Common Class B Unit (B)		16,100 uts.		01/22/04
Common Class D Unit (B)		3,690 uts.		09/12/06

\* 01/22/04 and 06/09/08. \*\* 01/22/04 and 09/12/06.

### ARROW TRU-LINE HOLDINGS, INC.

A manufacturer of hardware for residential and commercial overhead garage doors in North America.

12% Senior Subordinated Note due 2012	\$	861,702		05/18/05
Common Stock (B)		263 shs.		05/18/05
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)		69 shs.		05/18/05

### BRAVO SPORTS HOLDING CORPORATION

A designer and marketer of niche branded consumer products including canopies, trampolines, in-line urethane wheels.

12.5% Senior Subordinated Note due 2014	\$	1,207,902		06/30/06
Preferred Stock Class A (B)		465 shs.		06/30/06
Common Stock (B)		1 sh.		06/30/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)		164 shs.		06/30/06

### C D N T, INC.

A value-added converter and distributor of specialty pressure sensitive adhesives, foams, films,

10.5% Senior Secured Term Note due 2014	\$	429,070		08/07/08
12.5% Senior Subordinated Note due 2015	\$	429,070		08/07/08
Common Stock (B)		41,860 shs.		08/07/08
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)		32,914 shs.		08/07/08

### CAPEUCCESS LLC

A provider of diversified staffing services.

Preferred Membership Interests (B)		806 uts.		04/29/00
Common Membership Interests (B)		10,421 uts.		04/29/00

14

MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2008

		Principal Amount Shares, Units or Ownership Percentage		Acquisition Date
CORPORATE RESTRICTED SECURITIES: (A) CONTINUED				
-----				

CAPITAL SPECIALTY PLASTICS, INC.

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

A producer of desiccant strips used for packaging pharmaceutical products.  
 Common Stock (B) 55 shs. \*

\*12/30/97 and 05/29/99.

### CLOUGH, HARBOUR AND ASSOCIATES

An engineering service firm that is located in Albany, NY.  
 12.25% Senior Subordinated Note due 2015 \$ 1,270,588 12/02/08  
 Preferred Stock (B) 147 shs. 12/02/08

### COEUR, INC.

A producer of proprietary, disposable power injection syringes.  
 12% Senior Subordinated Note due 2016 \$ 642,857 10/10/08  
 Common Stock (B) 321 shs. 10/10/08  
 Warrant, exercisable until 2018, to purchase  
 common stock at \$.01 per share (B) 495 shs. 10/10/08

### CONNECTICUT ELECTRIC, INC.

A supplier and distributor of electrical products sold into the retail and wholesale markets.  
 12% Senior Subordinated Note due 2014 \$ 1,267,387 01/12/07  
 Limited Liability Company Unit Class A (B) 82,613 uts. 01/12/07  
 Limited Liability Company Unit Class C (B) 59,756 uts. 01/12/07

### CONNOR SPORT COURT INTERNATIONAL, INC.

A designer and manufacturer of outdoor and indoor synthetic sports flooring and other temporary f  
 Preferred Stock Series B-2 (B) 9,081 shs. 07/05/07  
 Preferred Stock Series C (B) 4,757 shs. 07/05/07  
 Common Stock (B) 380 shs. 07/05/07  
 Limited Partnership Interest (B) 6.88% int. \*

\*08/12/04 and 01/14/05.

### COREPHARMA LLC

A manufacturer of oral dose generic pharmaceuticals targeted at niche applications.  
 12% Senior Subordinated Note due 2013 \$ 1,350,000 08/04/05  
 Warrant, exercisable until 2013, to purchase  
 common stock at \$.001 per share (B) 10 shs. 08/04/05

### CRANE RENTAL CORPORATION

A crane rental company.  
 13% Senior Subordinated Note due 2015 \$ 1,215,000 08/21/08  
 Common Stock (B) 135,000 shs. 08/21/08  
 Warrant, exercisable until 2016, to purchase  
 common stock at \$.01 per share (B) 72,037 shs. 08/21/08

MassMutual Participation Investors

15

CONSOLIDATED SCHEDULE OF INVESTMENTS  
 December 31, 2008



Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

	Principal Amount Shares, Units or Ownership Percentage	Acquisiti Date
CORPORATE RESTRICTED SECURITIES: (A) CONTINUED		
-----		
DAVIS-STANDARD LLC		
A manufacturer, assembler, and installer of a broad range of capital equipment that is used in the processing of plastic materials.		
12% Senior Subordinated Note due 2014	\$ 978,261	10/30/06
Limited Partnership Interest (B)	0.97% int.	10/30/06
Warrant, exercisable until 2014, to purchase preferred stock at \$.01 per share (B)	26 shs.	10/30/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	18 shs.	10/30/06
DIVERSCO, INC./ DHI HOLDINGS, INC.		
A contract provider of janitorial and equipment maintenance services and temporary production labor.		
Membership Interests of MM/Lincap Diversco Investments Ltd. LLC (B)	13.57% int.	08/27/98
Preferred Stock (B)	1,639 shs.	12/14/01
Warrants, exercisable until 2011, to purchase common stock of DHI Holdings, Inc. at \$.01 per share (B)	6,676 shs.	*
*10/24/96 and 08/28/98.		
DUNCAN SYSTEMS, INC.		
A distributor of windshields and side glass for the recreational vehicle market.		
10% Senior Secured Term Note due 2013	\$ 308,571	11/01/06
13% Senior Subordinated Note due 2014	\$ 488,572	11/01/06
Common Stock (B)	102,857 shs.	11/01/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	32,294 shs.	11/01/06
DWYER GROUP, INC.		
A franchiser of a variety of home repair services.		
Common Stock (B)	3,656 shs.	*
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	1,077 shs.	10/30/03
*10/30/03 and 01/02/04.		
E S P HOLDCO, INC.		
A manufacturer of power protection technology for commercial office equipment, primarily supplying a network.		
14% Senior Subordinated Note due 2015	\$ 1,198,584	01/08/08
Common Stock (B)	349 shs.	01/08/08
E X C ACQUISITION CORPORATION		
A manufacturer of pre-filled syringes and pump systems used for intravenous drug delivery.		
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	11 shs.	06/28/04

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

16

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2008

	Principal Amount	
	Shares, Units or	
	Ownership	Acquisition
	Percentage	Date
CORPORATE RESTRICTED SECURITIES: (A) CONTINUED		
-----		
ELECTRA BICYCLE COMPANY LLC		
A designer and marketer of branded leisure bicycles.		
Limited Liability Company Unit Series F	36,913 uts.	04/12/07
Limited Liability Company Unit Series G	2,852 uts.	04/12/07
EVANS CONSOLES, INC.		
A designer and manufacturer of consoles and control center systems.		
Common Stock (B)	45,000 shs.	05/06/04
F C X HOLDINGS CORPORATION		
A distributor of specialty/technical valves, actuators, accessories, and process instrumentation high purity, and energy end markets in North America.		
15% Senior Subordinated Note due 2015	\$ 1,118,571	10/06/08
Preferred Stock (B)	2,298 shs.	10/06/08
Common Stock (B)	1,625 shs.	10/06/08
F H S HOLDINGS LLC		
A national provider of customized disease management services to large self-insured employers.		
12% Senior Subordinated Note due 2014	\$ 1,265,625	06/01/06
Limited Liability Company Units of Linden/FHS Holdings LLC (B)	84 uts.	06/01/06
Common Unit Class B (B)	734 shs.	06/01/06
FLUTES, INC.		
An independent manufacturer of micro fluted corrugated sheet material for the food and consumer products.		
10% Senior Secured Term Note due 2013	\$ 524,791	04/13/06
14% Senior Subordinated Note due 2014	\$ 317,177	04/13/06
Common Stock (B)	62,535 shs.	04/13/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	17,680 shs.	04/13/06
FOWLER HOLDING, INC.		
A provider of site development services to residential homebuilders and developers in the Raleigh-Durham area.		
12% Senior Subordinated Note due 2013	\$ 1,252,174	02/03/06
Common Stock (B)	98 shs.	02/03/06
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	135 shs.	02/03/06
FUEL SYSTEMS HOLDING CORPORATION		
An independent North American supplier of fuel tanks for a wide variety of commercial vehicles.		

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

12% Senior Subordinated Note due 2014 (D)	\$ 1,237,500	01/31/06
Preferred Stock (B)	16,792 shs.	06/12/08
Common Stock (B)	112,500 shs.	01/31/06
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	73,275 shs.	01/31/06

MassMutual Participation Investors

17

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2008

	Principal Amount	
	Shares, Units or	
	Ownership	Acquisition
	Percentage	Date

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

GOLDEN COUNTRY FOODS HOLDING, INC.

A manufacturer of frozen appetizers and snacks.

12% Senior Subordinated Note due 2015	\$ 1,012,500	11/01/07
8% Series A Convertible Preferred Stock, convertible into 4.25% of the fully diluted common shares (B)	77,643 shs.	11/01/07

GQ HOLDINGS LLC

A developer and distributor of tools, equipment, and supplies to the natural and engineered stone

15% Senior Subordinated Note due 2015	\$ 1,226,592	06/27/08
Common Stock (B)	3,867 shs.	06/27/08

H M HOLDING COMPANY

A designer, manufacturer, and importer of promotional and wood furniture.

12% Senior Subordinated Note due 2013 (D)	\$ 1,170,000	02/10/06
Preferred Stock (B)	21 shs.	*
Common Stock (B)	180 shs.	02/10/06
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)	67 shs.	02/10/06

\*09/18/07 and 06/27/08.

HIGHGATE CAPITAL LLC

An acquirer of controlling or substantial interests in manufacturing and marketing entities.

Series A Preferred Units (B)	0.30% int.	07/21/94
------------------------------	------------	----------

HOME DECOR HOLDING COMPANY

A designer, manufacturer and marketer of framed art and wall decor products.

12.5% Senior Subordinated Note due 2012	\$ 1,081,731	*
Common Stock (B)	33 shs.	*
Warrant, exercisable until 2012, to purchase common stock at \$.02 per share (B)	106 shs.	*

\* 06/30/04 and 08/19/04.

HOSPITALITY MINTS HOLDING COMPANY

A manufacturer of individually-wrapped imprinted promotional mints.

12% Senior Subordinated Note due 2016	\$ 1,098,837	08/19/08
---------------------------------------	--------------	----------

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Common Stock (B)	251 shs.	08/19/08
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	65 shs.	08/19/08

### INSURANCE CLAIMS MANAGEMENT, INC.

A third party administrator providing auto and property claim administration services for insurance

Common Stock (B)	37 shs.	02/27/07
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	11 shs.	02/27/07

### INTEGRATION TECHNOLOGY SYSTEMS, INC.

A manufacturer of steel protective computer and network systems for the industrial and office environments

12% Senior Subordinated Note due on demand	\$ 25,055	03/01/04
Common Stock (B)	130 shs.	06/01/00

18

MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2008

	Principal Amount	
	Shares, Units or	
	Ownership	Acquisition
	Percentage	Date

#### CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

### JASON, INC.

A diversified manufacturing company serving various industrial markets.

13% Senior Subordinated Note due 2010	\$ 510,187	08/04/00
Limited Partnership Interest of Saw Mill Capital Fund II, L.P. (B)	1.30% int.	08/03/00
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	26,931 shs.	08/04/00

### JUSTRITE MANUFACTURING ACQUISITION CO.

A manufacturer of safety products such as storage cabinets and containers.

12% Senior Subordinated Note due 2011	\$ 843,750	12/15/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	594 shs.	12/15/04

### K H O F HOLDINGS, INC.

A manufacturer of premium disposable tableware products serving both the foodservice and consumer markets

14% Senior Subordinated Note due 2014	\$ 1,263,334	10/15/07
Common Stock (B)	116,827 shs.	10/15/07

### K N B HOLDINGS CORPORATION

A designer, manufacturer and marketer of products for the custom framing market.

13.5% Senior Subordinated Note due 2013	\$ 1,329,717	05/25/06
---	--------------	----------

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Common Stock (B)	71,053 shs.	05/25/06
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	43,600 shs.	05/25/06

### K P I HOLDINGS, INC.

A manufacturer of large precision machined metal components used in equipment which services a variety of oil & gas, mining, and defense markets.

13% Senior Subordinated Note due 2014	\$ 1,115,217	07/16/08
Common Stock (B)	235 shs.	07/15/08
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	51 shs.	07/16/08

### K W P I HOLDINGS CORPORATION

A manufacturer and distributor of vinyl windows and patio doors throughout the northwestern United States.

12.75% Senior Subordinated Note due 2014	\$ 1,229,301	03/14/07
Common Stock (B)	123 shs.	03/13/07
Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)	89 shs.	03/14/07

### K-TEK HOLDING CORPORATION

A manufacturer of instrumentation for liquid and bulk solids level detection for process and storage applications.

14% Senior Subordinated Note due 2015	\$ 1,181,178	12/20/07
Preferred Stock (B)	192,314 shs.	12/20/07
Common Stock (B)	54,326 shs.	12/20/07

MassMutual Participation Investors

19

### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2008

	Principal Amount	
	Shares, Units or	
	Ownership	Acquisition
	Percentage	Date

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

### M V I HOLDING, INC.

A manufacturer of large precision machined metal components used in equipment which services a variety of oil & gas, mining, and defense markets.

13% Senior Subordinated Note due 2016	\$ 644,786	09/12/08
Common Stock (B)	32 shs.	09/12/08
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	35 shs.	09/12/08

### MAIL COMMUNICATIONS GROUP, INC.

A provider of mail processing and handling services, lettershop services, and commercial printing services.

12.5% Senior Subordinated Note due 2014	\$ 516,177	05/04/07
Limited Liability Company Unit (B)	12,763 uts.	*
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	1,787 shs.	05/04/07

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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

### MAVERICK ACQUISITION COMPANY

A manufacturer of capsules that cover the cork and neck of wine bottles.

8.26% Senior Secured Tranche A Note due 2010 (C)	\$	207,815		09/03/04
12% Senior Secured Tranche B Note due 2011	\$	179,104		09/03/04
Limited Partnership Interest (B)			4.48% int.	09/03/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)			243 shs.	09/03/04

### MEDSYSTEMS HOLDINGS LLC

A manufacturer of enteral feeding products, such as feeding tubes and other products related to a

13% Senior Subordinated Note due 2015	\$	608,401		08/29/08
Preferred Unit (B)			66 uts.	08/29/08
Common Unit Class A (B)			671 uts.	08/29/08
Common Unit Class B (B)			250 uts.	08/29/08

### MEGTEC HOLDINGS, INC.

A supplier of industrial and environmental products and services to a broad array of industries.

12% Senior Subordinated Note due 2016	\$	1,144,068		09/24/08
Preferred Stock (B)			56 shs.	09/24/08
Limited Partnership Interest (B)			205,932 int.	09/16/08
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)			18 shs.	09/24/08

### MICROGROUP, INC.

A manufacturer of precision parts and assemblies, and a value-added supplier of metal tubing and

12% Senior Subordinated Note due 2013	\$	1,421,795		*
Common Stock (B)			238 shs.	*
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)			87 shs.	*

\*08/12/05 and 09/11/06.

20

MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2008

		Principal Amount		Acquisition
		Shares, Units or	Ownership	Date
		Percentage	Date	

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

### MILWAUKEE GEAR COMPANY

A manufacturer of high-precision custom gears and gear drives used by original equipment manufact

13% Senior Subordinated Note due 2014	\$	1,246,154		07/21/08
Preferred Stock (B)			139 shs.	07/21/08
Common Stock (B)			9 shs.	07/21/08
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)			6 shs.	07/21/08

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

### MOMENTUM HOLDING CO.

A designer and supplier of upholstery fabric to commercial furniture manufacturers and architects

Limited Partnership Interest (B)	11.24% int.	08/04/06
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)	586 shs.	08/04/06

### MONESSEN HOLDING CORPORATION

A designer and manufacturer of a broad line of gas, wood, and electric hearth products and accessories

14% Senior Subordinated Note due 2014	\$ 1,490,051	07/25/08
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)	81 shs.	03/31/06

### MORTON INDUSTRIAL GROUP, INC.

A manufacturer of highly engineered metal fabricated components.

12% Senior Subordinated Note due 2014 (D)	\$ 1,292,246	08/25/06
30% Convertible Preferred Stock (B)	41,289 shs.	07/28/08

### NABCO, INC.

A producer of explosive containment vessels in the United States.

14% Senior Subordinated Note due 2014	\$ 431,692	02/24/06
Limited Liability Company Unit (B)	437 uts.	*
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	68 shs.	02/24/06

\* 02/24/06 and 06/22/07.

### NAVIS GLOBAL

A designer, manufacturer, seller and servicer of finishing machinery for the knit and woven segments

12% Senior Secured Term Note Series A due 2009	\$ 144,462	11/14/08
14% Senior Subordinated Note due 2014 (D)	\$ 764,921	05/28/04
10.75% Senior Secured Note due 2011 (D)	\$ 348,150	05/28/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	116,521 shs.	05/28/04

MassMutual Participation Investors

21

### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2008

	Principal Amount	
	Shares, Units or	
	Ownership	Acquisition
	Percentage	Date

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

### NESCO HOLDINGS CORPORATION

A sales and leasing company that provides equipment to the electric utility, telecommunications, and other industries

12% Senior Secured Subordinated Note due 2015	\$ 1,125,000	08/02/07
Common Stock (B)	225,000 shs.	08/02/07
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)		

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

common stock at \$.01 per share (B)	63,191 shs.	08/02/07
-------------------------------------	-------------	----------

### NETSHAPE TECHNOLOGIES, INC.

A manufacturer of powder metal and metal injection molded precision components used in industrial

12% Senior Subordinated Note due 2014	\$ 810,000	02/02/07
---------------------------------------	------------	----------

Limited Partnership Interest of

Saw Mill PCG Partners LLC (B)	1.38% int.	02/01/07
-------------------------------	------------	----------

Limited Liability Company Unit Class D of

Saw Mill PCG Partners LLC (B)	8 uts.	12/18/08
-------------------------------	--------	----------

Preferred Stock Class A (B)	1 sh.	12/18/08
-----------------------------	-------	----------

Warrant, exercisable until 2014, to purchase

common stock at \$.01 per share (B)	48 shs.	02/02/07
-------------------------------------	---------	----------

### NYLONCRAFT, INC.

A supplier of engineered plastic components for the automotive industry.

9% Senior Secured Note due 2009	\$ 464,286	01/28/02
---------------------------------	------------	----------

11.5% Senior Subordinated Note due 2012	\$ 857,143	01/28/02
---	------------	----------

Common Stock (B)	178,571 shs.	01/28/02
------------------	--------------	----------

Warrant, exercisable until 2012, to purchase

common stock at \$.01 per share (B)	138,928 shs.	01/28/02
-------------------------------------	--------------	----------

### OAKRIVER TECHNOLOGY, INC.

Designs, engineers and assembles high precision automated process equipment for the medical device defibrillators and stents.

10% Senior Secured Note due 2012	\$ 273,405	01/03/06
----------------------------------	------------	----------

13% Senior Subordinated Note due 2013	\$ 392,709	01/03/06
---------------------------------------	------------	----------

Common Stock (B)	184,176 shs.	01/03/06
------------------	--------------	----------

Warrant, exercisable until 2013, to purchase

common stock at \$.01 per share (B)	43,073 shs.	01/03/06
-------------------------------------	-------------	----------

### OLYMPIC SALES, INC.

A boat retailer in Washington state, Oregon, California and British Columbia.

12% Senior Subordinated Note due 2009 (D)	\$ 511,000	08/07/98
---	------------	----------

12% Senior Subordinated Note due 2009 (D)	\$ 244,154	02/09/00
---	------------	----------

Warrants, exercisable until 2009, to purchase

common stock at \$.01 per share (B)	2,270 shs.	*
-------------------------------------	------------	---

\*08/07/98 and 02/29/00.

### ONTARIO DRIVE & GEAR LTD.

A manufacturer of all-wheel drive, off-road amphibious vehicles and related accessories.

Limited Liability Company Unit (B)	1,942 uts.	01/17/06
------------------------------------	------------	----------

Warrant, exercisable until 2013, to purchase

common stock at \$.01 per share (B)	328 shs.	01/17/06
-------------------------------------	----------	----------



# Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

December 31, 2008

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED	Principal Amount Shares, Units or Ownership Percentage	Acquisiti Date
-----		
<b>P A S HOLDCO LLC</b>		
An independent provider of maintenance, repair and overhaul services to the aerospace gas turbine.		
14% Senior Subordinated Note due 2014	\$ 1,206,177	07/03/06
Preferred Unit (B)	202 uts.	07/03/06
Preferred Unit (B)	36 uts.	07/03/06
Common Unit Class I (B)	78 uts.	07/03/06
Common Unit Class L (B)	17 uts.	07/03/06
<b>P I I HOLDING CORPORATION</b>		
A manufacturer of plastic film and bags for the general industrial, medical, and food industries.		
12% Senior Subordinated Note due 2013	\$ 1,215,000	03/31/06
Preferred Stock (B)	19 shs.	03/31/06
Common Stock (B)	12 shs.	03/31/06
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	7 shs.	03/31/06
<b>PACIFIC CONSOLIDATED HOLDINGS LLC</b>		
A manufacturer of rugged, mobile liquid and gaseous oxygen and nitrogen generating systems used in medical sectors.		
14% Senior Subordinated Note due 2012	\$ 701,250	04/27/07
Limited Liability Company Unit (B)	928,962 uts.	04/27/07
<b>PARADIGM PACKAGING, INC.</b>		
A manufacturer of plastic bottles and closures for the nutritional, pharmaceutical, personal care and household products.		
12% Senior Subordinated Note due 2011	\$ 1,125,000	12/19/00
Membership Interests of MM/Lincap PPI Investments, Inc., LLC (B)	1.28% int.	12/21/00
<b>POSTLE ALUMINUM COMPANY LLC</b>		
A manufacturer and distributor of aluminum extruded products.		
12% Senior Subordinated Note due 2014	\$ 1,080,000	10/02/06
Limited Liability Company Unit	733 uts.	10/02/06
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	182 shs.	10/02/06
<b>POWER SERVICES HOLDING COMPANY</b>		
A provider of industrial motor repair services, predictive and preventative maintenance, and performance testing services to the petrochemical, mining, power generation, metals, and paper industries.		
12% Senior Subordinated Note due 2016	\$ 1,255,814	02/11/08
Limited Partnership Interest (B)	12.55% int.	02/11/08
Warrant, exercisable until 2016, to purchase		

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

common stock at \$.01 per share (B) 700 shs. 02/11/08

MassMutual Participation Investors 23

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2008

	Principal Amount	
	Shares, Units or	
	Ownership	Acquisiti
	Percentage	Date

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

-----

PROTEIN GENETICS, INC.

A producer of bovine artificial insemination products, related breeding and healthcare products a dairy and beef industries.

9.8% Redeemable Exchangeable Preferred Stock (B)	332 shs.	08/12/94
Common Stock (B)	867 shs.	*

\*08/12/94 and 11/14/01.

QUALIS AUTOMOTIVE LLC

A distributor of aftermarket automotive brake and chassis products.

12% Senior Subordinated Note due 2012	\$ 937,500	05/28/04
Common Stock	187,500 shs.	05/28/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share	199,969 shs.	05/28/04

R A J MANUFACTURING HOLDINGS LLC

A designer and manufacturer of women's swimwear sold under a variety of licensed brand names.

12.5% Senior Subordinated Note due 2014	\$ 1,200,277	12/15/06
Limited Liability Company Unit (B)	1,497 uts.	12/15/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	2 shs.	12/15/06

R E I DELAWARE HOLDING, INC.

An engineer and manufacturer of highly complex, close tolerance components, assemblies, tooling a primarily for aerospace, medical and defense/radar markets.

12% Senior Subordinated Note due 2016	\$ 1,350,000	01/18/08
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	3 shs.	01/18/08

RADIAC ABRASIVES, INC.

A manufacturer of bonded abrasive and super abrasive grinding wheels in the United States.

12% Senior Subordinated Note due 2014	\$ 1,196,809	02/10/06
Common Stock (B)	153,191 shs.	02/10/06
Warrant, exercisable until 2016, to purchase		

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

common stock at \$.01 per share (B) 69,647 shs. 02/10/06

### ROYAL BATHS MANUFACTURING COMPANY

A manufacturer and distributor of acrylic and cultured marble bathroom products.

12.5% Senior Subordinated Note due 2011	\$ 562,500	11/14/03
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)		74 shs. 11/14/03

### SAFETY SPEED CUT MANUFACTURING COMPANY, INC.

A manufacturer of vertical panel saws and routers for the wood working industry.

Class B Common Stock (B)		846 shs. 06/02/99
--------------------------	--	-------------------

24 MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2008

	Principal Amount	
	Shares, Units or	Acquisition
	Ownership	Date
	Percentage	

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

#### SAVAGE SPORTS HOLDING, INC.

A manufacturer of sporting firearms.

12% Senior Subordinated Note due 2012	\$ 814,655	09/10/04
Common Stock (B)		324 shs. *
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)		71 shs. 09/10/04

\*09/10/04 and 10/05/07.

#### SMART SOURCE HOLDINGS LLC

A short-term computer rental company.

12% Senior Subordinated Note due 2015	\$ 1,176,924	*
Limited Liability Company Unit (B)		328 uts. *
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)		83 shs. *

\*08/31/07 and 03/06/08.

#### SPECIALTY COMMODITIES, INC.

A distributor of specialty food ingredients.

13.25% Senior Subordinated Note due 2016	\$ 1,191,176	10/23/08
Common Stock (B)		15,882 shs. 10/23/08
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)		5,852 shs. 10/23/08

#### STANTON CARPET HOLDING CO.

A designer and marketer of high and mid-priced decorative carpets and rugs.

12.13% Senior Subordinated Note due 2014	\$ 1,185,366	08/01/06
Common Stock (B)		165 shs. 08/01/06
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)		55 shs. 08/01/06

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

SYNTERACT HOLDINGS CORPORATION

A provider of outsourced clinical trial management services to pharmaceutical and biotechnology c  
 14% Senior Subordinated Note due 2016 \$ 1,354,503 09/02/08  
 Redeemable Preferred Stock Series A (B) 678 shs. 09/02/08  
 Warrant, exercisable until 2018, to purchase  
 common stock at \$.01 per share (B) 6,778 shs. 09/02/08

T H I ACQUISITION, INC.

A machine servicing company providing value-added steel services to long steel products.  
 12% Senior Subordinated Note due 2016 \$ 1,350,000 01/14/08  
 Warrant, exercisable until 2016, to purchase  
 common stock at \$.01 per share (B) 5 shs. 01/14/08

MassMutual Participation Investors

25

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2008

	Principal Amount	
	Shares, Units or	
	Ownership	Acquisiti
	Percentage	Date

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

TANGENT RAIL CORPORATION

A manufacturer of rail ties and provider of specialty services to the North American railroad ind  
 13% Senior Subordinated Note due 2015 \$ 1,173,909 10/14/05  
 Common Stock 1,167 shs. 10/14/05  
 Warrant, exercisable until 2015, to purchase  
 common stock at \$.01 per share 631 shs. 09/30/08

TERRA RENEWAL LLC

A provider of wastewater residual management and required environmental reporting, permitting, nu  
 record keeping to companies involved in poultry and food processing.  
 6.46% Senior Secured Tranche B Note due 2012 (C) \$ 865,566 \*  
 6.50% Senior Secured Tranche B Note due 2012 (C) \$ 824 09/30/08  
 12% Senior Subordinated Note due 2014 \$ 664,062 \*\*  
 Limited Partnership Interest of  
 Saw Mill Capital Fund V, LLC (B) 2.27% int. \*\*\*  
 Warrant, exercisable until 2016, to purchase  
 common stock at \$.01 per share (B) 41 shs. 04/28/06

\* 04/28/06 and 12/21/06. \*\* 04/28/06 and 09/13/06. \*\*\* 03/01/05 and 10/10/08.

TORRENT GROUP HOLDINGS, INC.

A contractor specializing in the sales and installation of engineered drywells for the retention  
 nuisance water flow.  
 12.5% Senior Subordinated Note due 2013 \$ 1,185,366 10/26/07  
 Series A Preferred Stock (B) 219 shs. 10/26/07

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

### TOTAL E & S, INC.

A manufacturer of a wide variety of equipment used in the oil and gas industry.

10.5% Senior Secured Term Note due 2013	\$	486,487	03/02/07
13% Senior Subordinated Note due 2014	\$	341,971	03/02/07
Common Stock (B)		71,542 shs.	03/02/07
Warrant, exercisable until 2014 to purchase common stock at \$.01 per share (B)		19,733 shs.	03/02/07

### TRANSPAC HOLDING COMPANY

A designer, importer, and wholesaler of home decor and seasonal gift products.

12% Senior Subordinated Note due 2015	\$	938,651	10/31/07
Common Stock (B)		110 shs.	10/31/07
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)		50 shs.	10/31/07

### TRANSTAR HOLDING COMPANY

A distributor of aftermarket automotive transmission parts.

12% Senior Subordinated Note due 2014	\$	918,000	08/31/05
Common Stock (B)		571 shs.	*
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)		46 shs.	08/31/05

\*08/31/05 and 04/30/07.

26

MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2008

		Principal Amount Shares, Units or Ownership Percentage	Acquisiti Date
CORPORATE RESTRICTED SECURITIES: (A) CONTINUED			

### TRANZONIC COMPANIES (THE)

A producer of commercial and industrial supplies, such as safety products, janitorial supplies, w  
supplies and sanitary care products.

13% Senior Subordinated Note due 2010	\$	1,356,000	02/05/98
Common Stock (B)		315 shs.	02/04/98
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)		222 shs.	02/05/98

### TRUCK BODIES & EQUIPMENT INTERNATIONAL

A designer and manufacturer of accessories for heavy and medium duty trucks, primarily dump bodie  
flat-bed bodies, landscape bodies and other accessories.

16% Senior Subordinated Note due 2010 (D)	\$	1,222,698	*
16% PIK Note due 2010	\$	113,939	12/30/08
Preferred Stock Series B (B)		128 shs.	10/20/08
Common Stock (B)		393 shs.	*
Warrant, exercisable until 2013, to purchase common stock at \$.02 per share (B)		81 shs.	*
Warrant, exercisable until 2018, to purchase			

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

common stock at \$.01 per share (B)	558 shs.	10/20/08
* 07/19/05 and 12/22/05.		
<b>TRUSTILE DOORS, INC.</b>		
A manufacturer and distributor of interior doors.		
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	3,060 shs.	04/11/03
<b>U M A ENTERPRISES, INC.</b>		
An importer and wholesaler of home decor products.		
15% Senior Subordinated Note due 2015	\$ 904,370	02/08/08
Convertible Preferred Stock (B)	470 shs.	02/08/08
<b>U-LINE CORPORATION</b>		
A manufacturer of high-end, built-in, undercounter ice making, wine storage and refrigeration app		
12.5% Senior Subordinated Note due 2012	\$ 996,500	04/30/04
Common Stock (B)	96 shs.	04/30/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	122 shs.	04/30/04
<b>VISIONEERING, INC.</b>		
A designer and manufacturer of tooling and fixtures for the aerospace industry.		
10.5% Senior Secured Term Loan due 2013	\$ 458,824	05/17/07
13% Senior Subordinated Note due 2014	\$ 370,588	05/17/07
Common Stock (B)	70,588 shs.	05/17/07
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	20,003 shs.	05/17/07

MassMutual Participation Investors

27

### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2008

	Principal Amount	
	Shares, Units or	
	Ownership	Acquisiti
	Percentage	Date
<b>CORPORATE RESTRICTED SECURITIES: (A) CONTINUED</b>		
-----		
<b>VITALITY FOODSERVICE, INC.</b>		
A non-carbonated beverage dispensing company focused on the foodservice industry.		
13% Senior Subordinated Note due 2011	\$ 999,153	09/24/04
Common Stock (B)	14,006 shs.	*
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	12,593 shs.	09/24/04
* 09/24/04 and 12/22/06.		
<b>VITEX PACKAGING GROUP, INC.</b>		
A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags.		
12.5% Senior Subordinated Note due 2012	\$ 900,000	07/19/04
14.5% PIK Note due 2010	\$ 215,976	06/30/07

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Limited Liability Company Unit Class A (B)	219,375 uts.	07/19/04
Limited Liability Company Unit Class B (B)	96,848 uts.	07/19/04

### WAGGIN' TRAIN HOLDINGS LLC

A producer of premium quality meat dog treats.		
14% Senior Subordinated Note due 2014	\$ 1,151,874	11/15/07
Limited Liability Company Unit Class B (B)	224 uts.	11/15/07
Limited Liability Company Unit Class C (B)	224 uts.	11/15/07

### WALLS INDUSTRIES, INC.

A provider of branded workwear and sporting goods apparel.		
Limited Partnership Interest (B)	0.20% int.	07/12/04
Common Stock (B)	2,133 shs.	12/21/07

### WELLBORN FOREST HOLDING CO.

A manufacturer of semi-custom kitchen and bath cabinetry.		
12.13% Senior Subordinated Note due 2014	\$ 911,250	11/30/06
Common Stock (B)	101 shs.	11/30/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	51 shs.	11/30/06

### WORKPLACE MEDIA HOLDING CO.

A direct marketer specializing in providing advertisers with access to consumers in the workplace		
13% Senior Subordinated Note due 2015	\$ 613,692	05/14/07
Limited Partnership Interest (B)	12.26% int.	05/14/07
Warrant, exercisable until 2015, to purchase common stock at \$.02 per share (B)	47 shs.	05/14/07

### XALOY SUPERIOR HOLDINGS, INC.

A provider of melt processing components and ancillary equipment for both plastic injection molding		
15% Senior Subordinated Note due 2015	\$ 1,200,000	09/08/08
Common Stock (B)	150 shs.	09/08/08

### TOTAL PRIVATE PLACEMENT INVESTMENTS (E)

28 MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2008

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED	INTEREST RATE	DUE DATE	PRINCIPAL AMOUNT
-----			
RULE 144A SECURITIES - 2.41%: (A)			
BONDS - 2.41%			
Cenveo Corporation	10.500%	08/15/16	\$ 45,000
Charter Communications Op LLC	8.000	04/30/12	750,000

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Compucom Systems, Inc.	12.500	10/01/15	670,000
Douglas Dynamics LLC	7.750	01/15/12	485,000
G F S I, Inc. (C)	10.500	06/01/11	358,000
Packaging Dynamics Corporation of America	10.000	05/01/16	975,000
Ticketmaster Entertainment, Inc.	10.750	08/01/16	250,000
Tunica-Biloxi Gaming Authority	9.000	11/15/15	540,000

TOTAL BONDS

CONVERTIBLE PREFERRED STOCK - 0.00% 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

TOTAL CORPORATE RESTRICTED SECURITIES

MassMutual Participation Investors

29

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2008

	INTEREST RATE	DUE DATE	PRINCIPAL AMOUNT
-----			
BONDS - 12.79%			
Appleton Papers, Inc.	8.125%	06/15/11	\$ 250,000
Aramark Corporation (C)	6.693	02/01/15	100,000
C R H America, Inc.	5.300	10/15/13	500,000
C V S Caremark Corporation	5.750	06/01/17	500,000
Cincinnati Bell, Inc.	7.000	02/15/15	550,000
Citigroup, Inc.	5.500	04/11/13	500,000
Comcast Corporation	6.500	01/15/15	500,000
El Paso Corporation	12.000	12/12/13	25,000
Electronic Data Systems Corporation	7.125	10/15/09	500,000
Enterprise Products Operating Co.	9.750	01/31/14	375,000
Ford Motor Credit Co.	7.375	10/28/09	250,000
General Motors Acceptance Corporation	5.850	01/14/09	750,000
Gencorp, Inc.	9.500	08/15/13	130,000
Goldman Sachs Group, Inc.	4.750	07/15/13	500,000
Goodyear Tire & Rubber Co.	9.000	07/01/15	64,000
Inergy LP	8.250	03/01/16	75,000
Intelsat Bermuda Ltd.	9.250	06/15/16	690,000



Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Interline Brands, Inc.	8.125	06/15/14	830,000
Iron Mountain, Inc.	8.750	07/15/18	500,000
Johnson Controls, Inc.	5.500	01/15/16	500,000
Manitowoc Company, Inc.	7.125	11/01/13	100,000
Mediacom Broadband LLC	9.500	01/15/13	750,000
Nortek, Inc.	10.000	12/01/13	100,000
O E D Corp/Diamond Jo Company Guarantee	8.750	04/15/12	500,000
Pepsico, Inc.	7.900	11/01/18	500,000
Pliant Corporation (C)	11.850	06/15/09	857,441
Quicksilver Resources, Inc.	7.125	04/01/16	350,000
Rental Service Corporation	9.500	12/01/14	175,000
Rogers Wireless, Inc.	7.500	03/15/15	560,000
Sheridan Acquisition Corporation	10.250	08/15/11	225,000
Stewart & Stevenson LLC	10.000	07/15/14	735,000
Tenneco, Inc.	8.125	11/15/15	550,000
Texas Industries, Inc.	7.250	07/15/13	35,000
Titan International, Inc.	8.000	01/15/12	70,000
Transdigm, Inc.	7.750	07/15/14	150,000
Tube City IMS Corporation	9.750	02/01/15	1,000,000
Tyco International Group SA	6.000	11/15/13	625,000
United Components, Inc.	9.375	06/15/13	535,000
United Rentals, Inc.	6.500	02/15/12	325,000
Verizon Communications	8.750	11/01/18	500,000
Virgin Media Finance PLC	8.750	04/15/14	790,000
Vought Aircraft Industries	8.000	07/15/11	650,000

TOTAL BONDS

30

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2008

CORPORATE PUBLIC SECURITIES: (A) CONTINUED	INTEREST RATE	DUE DATE	PRINCIPAL AMOUNT
-----			
COMMON STOCK - 0.29%			
CKX, Inc. (B)			52,500
Directed Electronics, Inc. (B)			195,118
ITC^DeltaCom, Inc. (B)			94,588
Intrepid Potash, Inc. (B)			185
TOTAL COMMON STOCK			
CONVERTIBLE BONDS - 1.07%			
Citadel Broadcasting Corporation	4.000%	02/15/11	\$ 250,000
Nabors Industries LTD	0.940	05/15/11	750,000
Transocean, Inc.	1.500	12/15/37	500,000
TOTAL CONVERTIBLE BONDS			
TOTAL CORPORATE PUBLIC SECURITIES			

SHORT TERM SECURITIES	INTEREST RATE/YIELD*	DUE DATE	PRINCIPAL AMOUNT
-----			

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

COMMERCIAL PAPER - 5.18%			
Devon Energy Corporation	1.250%	01/02/09	\$ 1,290,000
R R Donnelley & Sons Company	5.059	01/05/09	1,700,000
Textron, Inc.	6.259	01/06/09	2,000,000
Volkswagen of America	6.113	01/06/09	724,000

Total Short-Term Securities

Total Investments	110.17%
	-----
Other Assets	3.85
Liabilities	(14.02)
	-----
Total Net Assets	100.00%
	=====

(A) In each of the convertible note, warrant, convertible preferred and common stock investments, certain registration rights.

(B) Non-income producing security.

(C) Variable rate security; rate indicated is as of 12/31/08.

(D) Defaulted security; interest not accrued.

(E) Illiquid securities. At December 31, 2008, the value of these securities amounted to \$97,424,

^ Effective yield at purchase

PIK - Payment-in-kind

MassMutual Participation Investors

31

### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2008

Industry Classification	Fair Value/ Market Value	Industry Classification
-----		-----
AEROSPACE - 2.77%		CHEMICAL, PLASTICS & RUBBER
Gencorp, Inc.	\$ 104,000	Capital Specialty Plastics,
P A S Holdco LLC	1,465,064	
Transdigm, Inc.	123,000	
Visioneering, Inc.	923,067	
Vought Aircraft Industries	438,750	CONSUMER PRODUCTS - 8.05%
	-----	Aero Holdings, Inc.
	3,053,881	Bravo Sports Holding Corpor
	-----	G F S I, Inc.
AUTOMOBILE - 5.12%		K N B Holdings Corporation
Fuel Systems Holding Corporation	309,375	Momentum Holding Co.
Goodyear Tire & Rubber Co.	51,520	R A J Manufacturing Holding
Jason, Inc.	552,773	Royal Baths Manufacturing C
Johnson Controls, Inc.	387,469	The Tranzonic Companies
Nyloncraft, Inc.	776,787	Walls Industries, Inc.
Ontario Drive & Gear Ltd.	696,550	
Qualis Automotive LLC	902,812	
Tenneco, Inc.	253,000	
Titan International, Inc.	51,800	CONTAINERS, PACKAGING & GLA
Transtar Holding Company	1,434,786	Flutes, Inc.
United Components, Inc.	224,700	Maverick Acquisition Compan
	-----	P I I Holding Corporation
	5,641,572	Packaging Dynamics Corporat
	-----	Paradigm Packaging, Inc.
BEVERAGE, DRUG & FOOD - 4.87%		Pliant Corporation
Aramark Corporation	75,500	Vitex Packaging Group, Inc.
Golden County Foods Holding, Inc.	810,000	
Hospitality Mints Holding Company	1,281,191	

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Pepsico, Inc.	612,824	
Specialty Commodities, Inc.	1,377,849	DISTRIBUTION - 1.92%
Vitality Foodservice, Inc.	1,206,351	Duncan Systems, Inc.
	-----	F C X Holdings Corporation
	5,363,715	
	-----	
BROADCASTING & ENTERTAINMENT - 2.89%		
Charter Communications Op LLC	615,000	DIVERSIFIED/CONGLOMERATE, M
Citadel Broadcasting Corporation	176,875	A H C Holdings Company, Inc
CKX, Inc.	192,675	Arrow Tru-Line Holdings, In
Comcast Corporation	491,466	C D N T, Inc.
Mediacom Broadband LLC	566,250	Douglas Dynamics LLC
Virgin Media Finance PLC	592,500	Evans Consoles, Inc.
Workplace Media Holding Co.	545,329	K P I Holdings, Inc.
	-----	MEGTEC Holdings, Inc.
	3,180,095	Milwaukee Gear Company
	-----	Nortek, Inc.
BUILDINGS & REAL ESTATE - 1.18%		
K W P I Holdings Corporation	1,136,685	Postle Aluminum Company LLC
Texas Industries, Inc.	27,038	Radiac Abrasives, Inc.
TruStile Doors, Inc.	133,837	Truck Bodies & Equipment In
	-----	Xaloy Superior Holdings, In
	1,297,560	
	-----	

32 MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2008

Industry Classification	Fair Value/ Market Value	Industry Classification
-----		
DIVERSIFIED/CONGLOMERATE, SERVICE - 10.79%		
A W X Holdings Corporation	\$ 858,887	HOME & OFFICE FURNISHINGS,
Advanced Technologies Holdings	1,361,158	DURABLE CONSUMER PRODUCTS -
C R H America, Inc.	351,872	Connor Sport Court Internat
CapeSuccess LLC	--	H M Holding Company
Clough, Harbour and Associates	1,410,431	Home Decor Holding Company
Crane Rental Corporation	1,293,082	Justrite Manufacturing Acqui
Diversco, Inc./DHI Holdings, Inc.	659,713	K H O F Holdings, Inc.
Dwyer Group, Inc.	789,620	Monessen Holding Corporatio
Fowler Holding, Inc.	--	Stanton Carpet Holding Co.
GQ Holdings LLC	1,211,003	Transpac Holdings Company
Insurance Claims Management, Inc.	69,178	U M A Enterprises, Inc.
Interline Brands, Inc.	655,700	U-Line Corporation
Iron Mountain, Inc.	431,250	Wellborn Forest Holding Co.
Mail Communications Group, Inc.	749,093	
Nesco Holdings Corporation	1,462,627	
Tyco International Group	586,447	
	-----	LEISURE, AMUSEMENT, ENTERTA
	11,890,061	Electra Bicycle Company LLC
	-----	O E D Corp/Diamond Jo Compa
ELECTRONICS - 1.52%		
Connecticut Electric, Inc.	1,091,469	Savage Sports Holding, Inc.
Directed Electronics, Inc.	78,047	Ticketmaster Entertainment,
Electronic Data Systems Corporation	508,313	Tunica-Biloxi Gaming Author
	-----	
	1,677,829	MACHINERY - 11.36%
	-----	A S A P Industries LLC
FARMING & AGRICULTURE - 1.13%		
		Davis-Standard LLC

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Protein Genetics, Inc.	--	E S P Holdco, Inc.
Waggin' Train Holdings LLC	1,244,987	Integration Technology Syst
	-----	K-Tek Holdings Corporation
	1,244,987	M V I Holding, Inc.
	-----	Manitowoc Company, Inc.
FINANCIAL SERVICES - 1.73%		Morton Industrial Group, In
Citigroup, Inc.	486,842	Navis Global
Ford Motor Credit Co.	219,555	NetShape Technologies, Inc.
General Motors Acceptance Corporation	745,112	Pacific Consolidated Holdin
Goldman Sachs Group, Inc.	449,326	Power Services Holding Comp
Highgate Capital LLC	--	R E I Delaware Holding, Inc
	-----	Safety Speed Cut Manufactur
	1,900,835	Stewart & Stevenson LLC
	-----	
HEALTHCARE, EDUCATION & CHILDCARE - 5.52%		
A T I Acquisition Company	1,683,955	
American Hospice Management Holding LLC	1,917,251	
F H S Holdings LLC	1,181,547	
Syneract Holdings Corporation	1,296,981	
Touchstone Health Partnership	--	
	-----	
	6,079,734	
	-----	

MassMutual Participation Investors

33

### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2008

Industry Classification	Fair Value/ Market Value	Industry Classification
-----		-----
MEDICAL DEVICES/BIOTECH - 3.62%		TELECOMMUNICATIONS - 2.53%
Coeur, Inc.	\$ 651,259	All Current Holding Company
E X C Acquisition Corporation	111,618	Cincinnati Bell, Inc.
ETEX Corporation	--	Intelsat Bermuda Ltd.
MedSystems Holdings LLC	645,348	ITC^DeltaCom, Inc.
MicroGroup, Inc.	1,958,060	Rogers Wireless, Inc.
OakRiver Technology, Inc.	616,880	Verizon Communications
TherOX, Inc.	--	
	-----	
	3,983,165	
	-----	
MINING, STEEL, IRON & NON PRECIOUS METALS - 1.46%		TRANSPORTATION - 1.70%
T H I Acquisition, Inc.	1,257,512	NABCO, Inc.
Tube City IMS Corporation	350,000	Tangent Rail Corporation
	-----	
	1,607,512	
	-----	
NATURAL RESOURCES - 0.18%		UTILITIES - 0.07%
Appleton Papers, Inc.	172,500	El Paso Corporation
Cenveo Corporation	26,100	Inergy LP
Intrepid Potash, Inc.	3,842	
	-----	
	202,442	
	-----	
OIL & GAS - 2.23%		WASTE MANAGEMENT / POLLUTIO
Enterprise Products Operating Co.	381,858	Terra Renewal LLC
Nabors Industries LTD	617,813	Torrent Group Holdings, Inc

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Quicksilver Resources, Inc.	187,250	Total Corporate Restricted
Transocean, Inc.	385,000	Securities - 104.99%
Total E & S, Inc.	884,451	
	-----	
	2,456,372	
	-----	
PHARMACEUTICALS - 1.21%		
CorePharma LLC	1,328,720	
	-----	
	1,328,720	
	-----	
PUBLISHING/PRINTING - 0.14%		
Sheridan Acquisition Corporation	157,781	
	-----	
	157,781	
	-----	
RETAIL STORES - 0.88%		
CVS Caremark Corporation	470,735	
Olympic Sales, Inc.	151,031	
Rental Service Corporation	96,250	
United Rentals, Inc.	256,747	
	-----	
	974,763	
	-----	
TECHNOLOGY - 1.90%		
Compucom Systems, Inc.	455,600	
Smart Source Holdings LLC	1,641,064	
	-----	
	2,096,664	
	-----	

34

MassMutual Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2008

### 1. HISTORY

MassMutual Participation Investors (the "Trust") was organized as a Massachusetts business trust under the laws of the Commonwealth of Massachusetts pursuant to a Declaration of Trust dated April 7, 1988.

The Trust is a diversified closed-end management investment company. Babson Capital Management LLC ("Babson Capital"), a wholly-owned indirect subsidiary of Massachusetts Mutual Life Insurance Company ("MassMutual"), acts as its investment adviser. 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 capital. In addition, the Trust may temporarily invest in high quality, readily marketable securities.

On January 27, 1998, the Board of Trustees authorized the formation of a

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

wholly owned subsidiary of the Trust ("MMPI Subsidiary Trust") for the purpose of holding certain investments. The results of the MMPI Subsidiary Trust are consolidated in the accompanying financial statements. Footnote 2.D below discusses the federal tax consequences of the MMPI Subsidiary Trust.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed consistently by the Trust in the preparation of its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

#### A. VALUATION OF INVESTMENTS:

Valuation of a security in the Trust's portfolio is made on the basis of the market price whenever market quotations are readily available and all securities of the same class held by the Trust can be readily sold in such market.

Nearly all securities which are acquired by the Trust directly from the issuers and shares into which such securities may be converted or which may be purchased on the exercise of warrants attached to such securities will be subject to legal or contractual delays in, or restrictions on, resale and will therefore be "restricted securities." Generally speaking, as contrasted with open-market sales of unrestricted securities, which may be effected immediately if the market is adequate, restricted securities can be sold only in a public offering for which a registration statement is in effect under the Securities Act of 1933, as amended (the "1933 Act") or pursuant to a transaction that is exempt from registration under the 1933 Act.

The value of restricted securities, and of any other assets for which there are no reliable market quotations, is the fair value as determined in good faith by the Trust's Board of Trustees (the "Trustees"). Each restricted security is valued by the Trustees at the time of its acquisition and at least quarterly thereafter. The Trustees have established guidelines to aid in the valuation of each security. Generally, restricted securities are initially valued at cost or less at the time of acquisition by the Trust. Values greater or less than cost are used thereafter for restricted securities in appropriate circumstances. Among the factors ordinarily considered are the existence of restrictions upon the sale of a security held by the Trust; an estimate of the existence and the extent of a market for the security; the extent of any discount at which the security was acquired; the estimated period of time during which the security will not be freely marketable; the estimated expenses of registering or otherwise qualifying the security for public sale; estimated underwriting commissions if underwriting would be required to effect a sale; in the case of a convertible security, whether or not it would trade on the basis of its stock equivalent; in the case of a debt obligation which would trade independently of any equity equivalent, the current yields on comparable securities; the estimated amount of the floating supply of such securities available for purchase; the proportion of the issue held by the Trust; changes in the financial condition and prospects of the issuer; the

---

MassMutual Participation Investors

35

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2008

existence of merger proposals or tender offers affecting the issuer; and any other factors affecting fair value, all in accordance with the Investment Company Act of 1940, as amended (the "1940 Act"). In making valuations, opinions of counsel may be relied upon as to whether or not securities are restricted securities and as to the legal requirements for public sale.

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

When market quotations are readily available for unrestricted securities of an issuer, restricted securities of the same class are generally valued at a discount from the market price of such unrestricted securities. The Trustees, however, consider all factors in fixing any discount, including the filing of a registration statement for such securities under the 1933 Act and any other developments which are likely to increase the probability that the securities may be publicly sold by the Trust without restriction.

The Trustees meet at least once each quarter to approve the value of the Trust's portfolio securities as of the close of business on the last business day of the preceding quarter. This valuation requires the approval of a majority of the Trustees of the Trust, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital. In making valuations, the Trustees will consider reports by Babson Capital analyzing each portfolio security in accordance with the relevant factors referred to above. Babson Capital has agreed to provide such reports to the Trust at least quarterly.

The consolidated financial statements include private placement restricted securities valued at \$97,424,749 (88.43% of net assets) as of December 31, 2008 whose values have been estimated by the Trustees in the absence of readily ascertainable market values. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

The values for Rule 144A restricted securities and corporate public securities are stated at the last reported sales price or at prices based upon quotations obtained from brokers and dealers as of December 31, 2008, subject to discount where appropriate, and are approved by the Trustees.

Short-term securities with more than sixty days to maturity are valued at fair value and short-term securities having a maturity of sixty days or less are valued at amortized cost, which approximates market value.

Effective January 1, 2008, the Trust adopted FASB Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements. FAS 157 requires companies to provide expanded information about the assets and liabilities measured at fair value and the potential effect of these fair valuations on an entity's financial performance.

Various inputs are used in determining the value of the Trust's investments. Using the hierarchy established under FAS 157, these inputs are summarized in the three broad levels listed below:

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 indetermining the fair value of investments)

The inputs and methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Trust's net assets as of December 31, 2008:

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Assets	Total	Level 1	Level 2	Level 3
Restricted Securities	\$ 100,077,804	\$ --	\$ 2,653,055	\$ 97,424,749
Public Securities	15,593,179	321,858	15,271,321	--
Short-term Securities	5,710,652	--	5,710,652	--
Total	\$ 121,381,635	\$ 321,858	\$ 23,635,028	\$ 97,424,749

36

MassMutual Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2008

Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value:

ASSETS:	RESTRICTED SECURITIES	PUBLIC SECURITIES	SHORT-TERM SECURITIES	TOTAL
Beginning balance at 12/31/2007	\$ 94,083,138	\$ --	\$ --	\$ 94,083,138
Total gains or losses (realized/unrealized) included in earnings*	(8,700,186)	--	--	(8,700,186)
Purchases, sales, issuances & settlements (net)	12,041,797	--	--	12,041,797
Transfers in and / or out of Level 3		--	--	--
ENDING BALANCE AT 12/31/2008	\$ 97,424,749	\$ --	\$ --	\$ 97,424,749

\* The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to Level 3 assets still held at 12/31/08 is (\$10,990,162).

B. ACCOUNTING FOR INVESTMENTS:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis, including the amortization of premiums and accretion of discounts on bonds held using the yield-to-maturity method. The Trust does not accrue income when payment is delinquent and when management believes payment is questionable.

Realized gains and losses on investment transactions and unrealized appreciation and depreciation of investments are reported for financial statement and federal income tax purposes on the identified cost method.

C. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires



## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### D. FEDERAL INCOME TAXES:

The Trust has elected to be taxed as a "regulated investment company" under the Internal Revenue Code, and intends to maintain this qualification and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that Trustees either designate the net realized long-term gains as undistributed and pay the federal capital gains taxes thereon, or distribute all or a portion of such net gains. For the year ended December 31, 2008, the Trust did not have any net realized taxable long-term capital gain.

The Trust is taxed as a regulated investment company and is therefore limited as to the amount of non-qualified income that it may receive as the result of operating a trade or business, e.g. the Trust's pro rata share of income allocable to the Trust by a partnership operating company. The Trust's violation of this limitation could result in the loss of its status as a regulated investment company, thereby subjecting all of its net income and capital gains to corporate taxes prior to distribution to its shareholders. The Trust, from time-to-time, identifies investment opportunities in the securities of entities that could cause such trade or business income to be allocable to the Trust. The MMPI Subsidiary Trust (described in Footnote 1, above) was formed in order to allow investment in such securities without adversely affecting the Trust's status as a regulated investment company.

Net investment income and realized gains or losses of the Trust as presented under accounting principles generally accepted in the United States of America may differ from distributable taxable earnings due to earnings from the MMPI Subsidiary Trust as well as certain permanent and temporary differences in the recognition of income and net realized gains or losses on certain investments. Permanent differences will result in re-classifications to the capital accounts. In 2008, the Trust increased undistributed net investment income and decreased additional paid in capital by a total of \$33,687 to more accurately display the Trust's financial position on a tax-basis in accordance with accounting principles generally accepted in the United States of America. These re-classifications had no impact on net asset value.

---

MassMutual Participation Investors

37

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008

The MMPI Subsidiary Trust is not taxed as a regulated investment company. Accordingly, prior to the Trust receiving any distributions from the MMPI Subsidiary Trust, all of the MMPI Subsidiary Trust's taxable income and realized gains, including non-qualified income and realized gains, is subject to taxation at prevailing corporate tax rates. For the year December 31, 2008, the MMPI Subsidiary Trust has accrued income tax expense of \$36,815.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax basis. As of December 31, 2008, the MMPI Subsidiary Trust has a deferred tax asset of \$90,898 for which a full valuation reserve has been recorded. No future tax benefit is expected to be realized from this asset as of December

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

31, 2008.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - An interpretation of FASB Statement No. 109 ("FIN 48"). Management has analyzed the Trust's tax positions taken on federal income tax returns for all open tax years and has concluded that as of December 31, 2008, no provision for income tax would be required in the Trust's financial statements. The Trust's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

### E. DISTRIBUTIONS TO SHAREHOLDERS:

The Trust records distributions to shareholders from net investment income and net realized gains, if any, on the ex-dividend date. The Trust's net investment income dividend is declared four times per year, in April, July, October, and December. The Trust's net realized capital gain distribution, if any, is declared in December.

As of December 31, 2008, the components of distributable earnings on a tax basis included \$1,834,155 of undistributed ordinary income and (\$940,203) of a net realized capital loss carryforward. The loss carryforward will expire on December 31, 2016. Such distributions and distributable earnings on a tax basis are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America (GAAP).

The difference between net taxable distributable earnings to GAAP earnings is \$142,583 which is comprised of various timing differences.

The tax character of distributions declared during the years ended December 31, 2008 and 2007 was as follows:

Distributions paid from:	2008	2007
	-----	-----
Ordinary Income	\$ 9,915,143	\$ 12,315,585
Long-term Capital gains	\$ --	\$ --

### F. EXPENSE REDUCTION:

Citibank, N.A. ("Citibank") serves as custodian to the Trust. Pursuant to the custodian agreement, Citibank receives a fee reduced by credits on cash balances the Trust maintains with Citibank. All credit balances, if any, used to reduce the Trust's custodian fees are reported as fees paid indirectly on the Statement of Operations. For the year ended December 31, 2008, there were no credit balances used to reduce custodian fees.

## 3. INVESTMENT ADVISORY AND ADMINISTRATIVE SERVICES CONTRACT

### A. SERVICES:

Under an Investment Advisory and Administrative Services Contract (the "Contract") with the Trust, Babson Capital has agreed to use its best efforts to present to the Trust a continuing and suitable investment program consistent with the investment objectives and policies of the Trust. Babson Capital represents the Trust in any negotiations with issuers, investment banking firms, securities brokers or dealers and other institutions or investors relating to the Trust's investments. Under the Contract, Babson Capital also provides administration of the day-to-day operations of the Trust and provides the Trust with office space and office equipment, accounting and bookkeeping services, and necessary executive, clerical and secretarial personnel for the performance of the foregoing services.

# Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

38

MassMutual Participation Investors

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

### B. FEE:

For its services under the Contract, Babson Capital is paid a quarterly investment advisory fee equal to 0.225% of the value of the Trust's net assets as of the last business day of each fiscal quarter, an amount approximately equivalent to 0.90% on an annual basis. A majority of the Trustees, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital, approve the valuation of the Trust's net assets as of such day.

## 4. SENIOR SECURED INDEBTEDNESS

### A. NOTE PAYABLE:

MassMutual holds the Trust's \$12,000,000 Senior Fixed Rate Convertible Note (the "Note") issued by the Trust in 1995. The Note, as amended, is due December 13, 2011 and accrues interest at 5.80% per annum. MassMutual, at its option, can convert the principal amount of the Note into common shares. The dollar amount of principal would be converted into an equivalent dollar amount of common shares based upon the average price of the common shares for ten business days prior to the notice of conversion. For the year ended December 31, 2008, the Trust incurred total interest expense on the Note of \$696,000.

The Trust may redeem the Note, in whole or in part, at the principal amount proposed to be redeemed together with the accrued and unpaid interest thereon through the redemption date plus a Make Whole Premium. The Make Whole Premium equals the excess of (i) the present value of the scheduled payments of principal and interest which the Trust would have paid but for the proposed redemption, discounted at the rate of interest of U.S. Treasury obligations whose maturity approximates that of the Note plus 0.50% over (ii) the principal of the Note proposed to be redeemed.

### B. REVOLVING CREDIT AGREEMENT:

The Trust's \$15,000,000 revolving credit agreement (the "Revolver") with Bank of America N.A. matured on May 30, 2008.

For the year ended December 31, 2008, the Trust incurred a total expense on the Revolver of \$6,229. The expense was incurred on the undrawn portion of the Revolver from January 1, 2008 to the maturity date on May 30, 2008.

## 5. PURCHASES AND SALES OF INVESTMENTS

FOR THE YEAR ENDED 12/31/2008	COST OF INVESTMENTS ACQUIRED
Corporate restricted securities	\$ 29,107,172
Corporate public securities	11,501,481
	PROCEEDS FROM SALES OR MATURITIES
Corporate restricted securities	\$ 18,929,615
Corporate public securities	20,459,670

The aggregate cost of investments is substantially the same for financial reporting and federal income tax purposes as of December 31, 2008. The net

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

unrealized depreciation of investments for financial reporting and federal tax purposes as of December 31, 2008 is \$16,386,381 and consists of \$8,459,427 appreciation and \$24,845,808 depreciation.

### 6. QUARTERLY RESULTS OF INVESTMENT OPERATIONS (UNAUDITED)

	AMOUNT	PER SHARE
-----		
MARCH 31, 2008		
-----		
Investment income	\$ 3,200,898	
Net investment income	2,597,669	\$ 0.26
Net realized and unrealized loss on investments (net of taxes)	(2,528,865)	(0.26)
-----		
JUNE 30, 2008		
-----		
Investment income	\$ 2,861,287	
Net investment income	2,280,789	\$ 0.23
Net realized and unrealized loss on investments (net of taxes)	(1,496,914)	(0.15)
-----		
SEPTEMBER 30, 2008		
-----		
Investment income	\$ 3,817,860	
Net investment income	3,237,045	\$ 0.33
Net realized and unrealized loss on investments (net of taxes)	(4,637,203)	(0.46)
-----		
DECEMBER 31, 2008		
-----		
Investment income	\$ 3,121,930	
Net investment income	2,556,434	\$ 0.26
Net realized and unrealized loss on investments (net of taxes)	(9,390,347)	(0.95)
-----		
MassMutual Participation Investors		39

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008

#### 7. AGGREGATE REMUNERATION PAID TO OFFICERS, TRUSTEES AND THEIR AFFILIATED PERSONS

For the year ended December 31, 2008, the Trust paid its Trustees aggregate remuneration of \$149,750. During the year the Trust did not pay any compensation to any of its Trustees who are "interested persons" (as defined by the 1940 Act) of the Trust. The Trust classifies Messrs. Crandall and Joyal as "interested persons" of the Trust.

All of the Trust's officers are employees of Babson Capital or MassMutual. Pursuant to the Contract, the Trust does not compensate its officers who are employees of Babson Capital or MassMutual (except for the Chief Compliance Officer of the Trust unless assumed by Babson Capital). For the year ended December 31, 2008, Babson Capital paid the compensation of the Chief Compliance Officer of the Trust.

Mr. Crandall, one of the Trust's Trustees, is an "affiliated person" (as defined by the 1940 Act) of MassMutual and Babson Capital.

The Trust did not make any payments to Babson Capital for the year ended

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

December 31, 2008, other than amounts payable to Babson Capital pursuant to the Contract. For the year ended December 31, 2008, the Trust paid the following amounts to MassMutual, exclusive of interest expense on the Note explained in Footnote 4.A:

Preparation of Certain of the Trust's Shareholder Communications	\$ 1,042
---	----------

### 8. CERTIFICATIONS (UNAUDITED)

As required under New York Stock Exchange ("NYSE") Corporate Governance Rules, the Trust's principal executive officer has certified to the NYSE that he was not aware, as of the certification date, of any violation by the Trust of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Trust's principal executive and principal financial officers have made quarterly certifications, included in filings with the Securities and Exchange Commission on Forms N-CSR and N-Q, relating to, among other things, the Trust's disclosure controls and procedures and internal control over financial reporting, as applicable.

### 9. SUBSEQUENT EVENTS

On January 23, 2009, the Trust announced that Roger W. Crandall stepped down as a Trustee and Chairman of the Board of Trustees as a result of his new position as President and Chief Operating Officer of MassMutual. Clifford M. Noreen was appointed as a Trustee and elected to succeed Mr. Crandall as Chairman of the Board of Trustees. He previously held the role of President of the Trust. Mr. Noreen is currently the President of Babson Capital. Filling the vacancy left by Mr. Noreen, Michael L. Klofas will become President of the Trust. He was formerly a Vice President of the Trust. Mr. Klofas is currently a Managing Director and co-head of Babson Capital's Mezzanine and Private Equity Group.

-----  
40

MassMutual Participation Investors

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Trustees of MassMutual Participation Investors

We have audited the accompanying consolidated statement of assets and liabilities of MassMutual Participation Investors (the Trust), including the consolidated schedule of investments, as of December 31, 2008, and the related consolidated statements of operations and cash flows for the year then ended, the consolidated statements of changes in net assets for each of the years in the two-year period then ended and the consolidated financial highlights for each of the years in the five-year period then ended. These consolidated financial statements and consolidated financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2008 by correspondence with the custodian, or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and consolidated financial highlights referred to above present fairly, in all material respects, the financial position of MassMutual Participation Investors as of December 31, 2008, and the results of its operations, its cash flows, its changes in net assets, and the financial highlights for the years described above, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Boston, Massachusetts  
February 11, 2009

-----  
MassMutual Participation Investors

41

INTERESTED TRUSTEES

NAME (AGE), ADDRESS	POSITION WITH THE TRUST	OFFICE TERM/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	PORTFOLIO OVERSEEN IN FUND COMPLEX
ROGER W. CRANDALL*(44) Massachusetts Mutual Life Insurance Company 1295 State Street Springfield, MA 01111	Trustee (since 2005)	3 years/ 2 years/ 10 months	President, Chief Operating Officer and member of Board (since November 2008); and Executive Vice President and Chief Investment Officer (since 2005) and Co-Chief Operating Officer (since 2007) of MassMutual; and Chairman (since 2005), President (2006-2007) and Chief Executive Officer (since 2006), Vice Chairman (2005), Member of the Board of Managers (since 2004), Member of the Board of Directors (2003-2004), and Managing Director of Babson Capital (2000-2005).	2
	Chairman (since 2005)	1 year/ 7 months		

\* Mr. Crandall is classified as an "interested person" of the Trust and Babson Capital (as defined in the Trust Agreement, dated 1940, as amended) because of his position as an Officer of the Trust; and Chairman, Chief Executive Officer, and member of the Board of Managers of Babson Capital.

-----  
 42 MassMutual Participation Investors

INTERESTED TRUSTEES

NAME (AGE), ADDRESS	POSITION WITH THE TRUST	OFFICE TERM/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	PORTFOLIO OVERSEEN IN FUND COMPLEX
ROBERT E. JOYAL* (64)  MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 2003)	3 years/ 1 year/ 10 months	President (2001-2003) of Babson Capital.	57

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

\* Mr. Joyal retired as President of Babson Capital in June 2003. In addition and as noted above, Jefferies Group, Inc., which has a wholly-owned broker-dealer subsidiary that may execute portfolio principal transactions with the Trust, other investment companies advised by Babson Capital or which Babson Capital has brokerage placement discretion. Accordingly, the Trust has determined "interested person" of the Trust and Babson Capital (as defined in the Investment Company Act of 1940).

-----  
 MassMutual Participation Investors

43

INTERESTED TRUSTEES

NAME (AGE), ADDRESS	POSITION WITH THE TRUST	OFFICE TERM/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	PORTFOLIO OVERSEEN IN FUND COMPLEX
WILLIAM J. BARRETT (69) MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 2006)	2 years/ 1 year/ 10 months	President (since 2002), Barrett-Gardner Associates, Inc. (private merchant bank); and Senior Vice President (1976-2002), Janney Montgomery Scott LLC (investments).	2
DONALD E. BENSON (78) MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 1988)	3 years/ 1 year/ 10 months	Executive Vice President and Director (since 1992), Marquette Financial Companies (financial services); Partner (since 1996), Benson Family Limited Partnership No. 1 and Benson Family Limited Partnership No. 2 (investment partnerships); and Partner (1987-2004), Benson, Pinckney, Oates Partnership (building partnership)	2

-----  
 44

MassMutual Participation Investors

INTERESTED TRUSTEES

PRINCIPAL

PORTFOLIO



**Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR**

NAME (AGE), ADDRESS	POSITION WITH THE TRUST	OFFICE TERM/LENGTH OF TIME SERVED	OCCUPATIONS DURING PAST 5 YEARS	OVERSEEN IN FUND COMPLEX
------------------------	-------------------------------	--------------------------------------	---------------------------------------	--------------------------------

MICHAEL H. BROWN(52) MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 2005)	3 years/ 10 months	Private Investor; and Managing Director (1994-2005), Morgan Stanley.	2
--	-------------------------	-----------------------	--	---

DONALD GLICKMAN(75) MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 1992)	3 years/ 1 year/ 10 months	Chairman (since 1992), Donald Glickman and Company, Inc. (private investments); and Partner (since 1992), J.F. Lehman & Co. (private investments).	2
---	-------------------------	----------------------------------	---	---

-----  
MassMutual Participation Investors

45

INTERESTED TRUSTEES

NAME (AGE), ADDRESS	POSITION WITH THE TRUST	OFFICE TERM/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS	PORTFOLIO OVERSEEN IN FUND COMPLEX
------------------------	-------------------------------	--------------------------------------	--	---

MARTIN T. HART(73) MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 1991)	3 years/ 2 years/ 10 months	Private Investor; and President and Director (since 1983), H Investment Company LLC (family partnership).	2
--	-------------------------	-----------------------------------	--	---

CORINE T. NORGAARD(71) MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 1998)	3 years/ 10 months	President, (2004-2005), Thompson Enterprises Real Estate Investment; and Dean (1996-2004), Barney School of Business, University of Hartford.	34
--	-------------------------	-----------------------	--	----

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

MALEYNE M. SYRACUSE(52)  MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 2007)	3 years/ 10 months	Managing Director (2000- 2007), JP Morgan Securities, Inc. (investments and banking).	2
---	-------------------------	-----------------------	--	---

-----

46 MassMutual Participation Investors

OFFICERS OF THE TRUST

NAME (AGE), ADDRESS	POSITION WITH THE TRUST	OFFICE TERM/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATIONS DURING PAST 5 YEARS
CLIFFORD M. NOREEN(51)  MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	President	1 year/ 7 months	President (since 2005), Vice Pres Vice Chairman (since 2007), Membe (since 2006), and Managing Direct Capital; Trustee (since 2005), an Subsidiary Trust and MMPI Subside 2005), Vice President (1993-2005)
PATRICIA J. WALSH+(43)  MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Vice President, Secretary, and Chief Legal Officer	9 months/ 4 months	Vice President, Secretary, and Ch the Trust; Vice President and Ass 2005) of MassMutual; General Coun Babson Capital; Secretary (since MMPI Subsidiary Trust; and Vice P Legal Officer (since 2008), MassM
JAMES M. ROY(46)  MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Vice President and Chief Financial Officer	1 year/ 7 months	Vice President and Chief Financia (2003-2005), and Associate Treasu Managing Director (since 2005), a Capital; Trustee (since 2005), Tr Controller (2003-2005), MMCI Subs Trust; and Vice President and Chi 2005), Treasurer (2003-2005) and MassMutual Corporate Investors.
JOHN T. DAVITT, JR.(41)  MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189	Comptroller	1 year/ 7 months	Comptroller (since 2001) of the T Babson Capital; Controller (since MMPI Subsidiary Trust; and Comptr Corporate Investors.

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Springfield, MA 01115-5189

<p>MELISSA M. LAGRANT(35)                  Chief Compliance Officer                  MassMutual Participation Investors                  1500 Main Street                  Suite 600, P.O. Box 15189                  Springfield, MA 01115-5189</p>	<p>Chief Compliance Officer</p>	<p>1 year/ 7 months</p>	<p>Chief Compliance Officer (since 2005) of Babson Capital Management L.P.; Assistant Vice President-Babson Capital (2003-2005), and Assistant Vice President (2001-2002), Zurich Scudder Investments and Chief Compliance Officer (since 2006) of MassMutual Participation Investors.</p>
<p>DANIEL J. FLORENCE*(36)                  MassMutual Participation Investors                  1500 Main Street                  Suite 600, P.O. Box 15189                  Springfield, MA 01115-5189</p>	<p>Treasurer</p>	<p>1 year/ 7 months</p>	<p>Treasurer (since 2008), Associate Director of Babson Capital Trust; Associate Director (since 2006) of Babson Capital; and Treasurer (since 2006-2008), MassMutual Corporate Trust.</p>

+ Ms. Walsh was elected as Vice President, Secretary, and Chief Legal Officer of the Trust on October 1, 2008.  
 \* Mr. Florence was elected as Treasurer of the Trust on July 22, 2008.

-----  
 MassMutual Participation Investors

47

MEMBERS OF THE BOARD OF TRUSTEES  
 LEFT TO RIGHT:

Donald Glickman  
 Chairman,  
 Donald Glickman & Company, Inc.

Robert E. Joyal  
 Retired President,  
 Babson Capital Management LLC

William J. Barrett  
 President,  
 Barrett-Gardner Associates, Inc.

Michael H. Brown\*  
 Private Investor

Donald E. Benson\*  
 Executive Vice President  
 and Director,  
 Marquette Financial Companies

Dr. Corine T. Norgaard\*  
 President,  
 Thompson Enterprises  
 Real Estate Investment

Roger W. Crandall  
 President and Chief  
 Operating Officer  
 Massachusetts Mutual Life  
 Insurance Company

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

MassMutual Participation Investors (the "Trust") offers a Dividend Reinvestment and Cash Purchase Plan (the "Plan"). The Plan provides a simple and automatic way for shareholders to add to their holdings in the Trust through the receipt of dividend shares issued by the Trust or through the reinvestment of cash dividends in Trust shares purchased in the open market. The dividends of each shareholder will be automatically reinvested in the Trust by Shareholder Financial Services Inc., the Transfer Agent, in accordance with the Plan, unless such shareholder elects not to participate by providing written notice to the Transfer Agent. A shareholder may terminate his or her participation by notifying the Transfer Agent in writing.

Participating shareholders may also make additional contributions to the Plan from their own funds. Such contributions may be made by personal check or other means in an amount not less than \$100 nor more than \$5,000 per quarter. Cash contributions must be received by the Transfer Agent at least five days (but no more than 30 days) before the payment date of a dividend or distributions.

Whenever the Trust declares a dividend

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Martin T. Hart  
Private Investor

Maleyne M. Syracuse  
Private Investor

\*Member of the Audit Committee

OFFICERS

Roger W. Crandall  
Chairman

Clifford M. Noreen  
President

James M. Roy  
Vice President & Chief  
Financial Officer

Patricia J. Walsh  
Vice President, Secretary  
& Chief Legal Officer

Jill A. Fields  
Vice President

Michael P. Hermsen  
Vice President

Mary Wilson Kibbe  
Vice President

Michael L. Klofas  
Vice President

Richard E. Spencer, II  
Vice President

Daniel J. Florence  
Treasurer

John T. Davitt, Jr.  
Comptroller

Melissa M. LaGrant  
Chief Compliance Officer

payable in cash or shares, the Transfer Agent, acting on behalf of each participating shareholder, will take the dividend in shares only if the net asset value is lower than the market price plus an estimated brokerage commission as of the close of business on the valuation day. The valuation day is the last day preceding the day of dividend payment. When the dividend is to be taken in shares, the number of shares to be received is determined by dividing the cash dividend by the net asset value as of the close of business on the valuation date or, if greater than net asset value, 95% of the closing share price. If the net asset value of the shares is higher than the market value plus an estimated commission, the Transfer Agent, consistent with obtaining the best price and execution, will buy shares on the open market at current prices promptly after the dividend payment date.

The reinvestment of dividends does not, in anyway, relieve participating shareholders of any federal, state or local tax. For federal income tax purposes, the amount reportable in respect of a dividend received in newly-issued shares of the Trust will be the fair market value of the shares received, which will be reportable as ordinary income and/or capital gains.

As compensation for its services, the Transfer Agent receives a fee of 5% of any dividend and cash contribution (in no event in excess of \$2.50 per distribution per shareholder.)

Any questions regarding the Plan should be addressed to Shareholder Financial Services, Inc., Agent for MassMutual Participation Investors' Dividend Reinvestment and Cash Purchase Plan, P.O. Box 173673, Denver, CO 80217-3673.

[LOGO] MassMutual Participation Investors

PI2597

ITEM 2. CODE OF ETHICS.

The Registrant adopted a Code of Ethics for Senior Financial Officers (the "Code") on October 17, 2003, which is available on the Registrant's website at [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv). During the period covered by this Form N-CSR, there were no amendments to, or waivers from, the Code.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Registrant's Board of Trustees has determined that Mr. Donald E. Benson, a Trustee of the Registrant and a member of its Audit Committee, is an audit committee financial expert. Mr. Benson is "independent" for purposes of this Item 3 as required by applicable regulation.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

FEES BILLED TO THE REGISTRANT

	KPMG LLP Year Ended December 31, 2008	KPMG LLP Year Ended December 31, 2007
	-----	-----
Audit Fees	\$ 45,700	\$ 53,000
Audit-Related Fees	6,125	5,700
Tax Fees	39,950	31,000
All Other Fees	0	0
	-----	-----
Total Fees	\$ 91,775	\$ 89,700
	=====	=====

# Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

## NON-AUDIT FEES BILLED TO BABSON CAPITAL AND MASSMUTUAL

	KPMG LLP Year Ended December 31, 2008	KPMG LLP Year Ended December 31, 2007
Audit-Related Fees	\$ 921,019	\$1,102,280
Tax Fees	0	0
All Other Fees	0	75,000
Total Fees	\$ 921,019	\$1,177,280

The category "Audit Related Fees" reflects fees billed by KPMG for various non-audit and non-tax services rendered to the Registrant, Babson Capital Management LLC ("Babson Capital") and Massachusetts Mutual Life Insurance Company ("MassMutual"), such as SAS 70 review, agreed upon procedures reports. Preparation of Federal, state and local income tax returns and compliance work are representative of the fees billed in the "Tax Fees" category. The category "All Other Fees" represents fees billed by KPMG for tax consulting rendered to Babson Capital and MassMutual. The Sarbanes-Oxley Act of 2002 and its implementing regulations allows the Registrant's Audit Committee to establish a pre-approval policy for certain services rendered by the Registrant's independent accountants. During 2008, the Registrant's Audit Committee approved all of the services rendered to the Registrant by KPMG and did not rely on such a pre-approval policy for any such services.

The Audit Committee reviewed the aggregate fees billed for professional services rendered by KPMG for the Registrant and for the non-audit services provided to Babson Capital, and Babson Capital's parent, MassMutual. As part of this review, the Audit Committee considered whether the provision of such non-audit services were compatible with maintaining the principal accountant's independence.

The 2007 fees billed represent final 2007 amounts, which may differ from the preliminary figures available as of the filing date of the Trust's 2008 Annual Form N-CSR and includes, among other things, fees for services that may not have been billed as of the filing date of the Trust's 2008 Annual Form N-CSR, but are now properly included in the 2007 fees billed to the Trust, Babson Capital, and MassMutual.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The Registrant maintains an Audit Committee composed exclusively of Trustees of the Registrant who qualify as "independent" Trustees under the current listing standards of the New York Stock Exchange and the rules of U.S. Securities and Exchange Commission. The Committee operates pursuant to a written Audit Committee Charter, which is available (1) on the Registrant's website, [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv); and (2) without charge, upon request, by calling, toll-free 866-399-1516. The current members of the Audit Committee are Donald E. Benson, Michael H. Brown, and Corine T. Norgaard.

### ITEM 6. SCHEDULE OF INVESTMENTS

Not applicable for this filing.

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED END MANAGEMENT INVESTMENT COMPANIES.

The Registrant's Board of Trustees delegated proxy voting responsibilities relating to voting securities held by the Registrant to its investment adviser, Babson Capital Management LLC ("Babson Capital"). A summary of Babson Capital's proxy voting policies and procedures is set forth below.

#### Summary of Babson Capital's Proxy Voting Policy

-----

Babson Capital views the voting of proxies as part of its investment management responsibility and believes, as a general principle, that proxies should be voted solely in the best interests of its clients (i.e. in a manner it believes is most likely to enhance the economic value of the underlying securities and client accounts). To implement this general principle, it is Babson Capital's policy to generally vote proxies in accordance with the recommendations of Institutional Shareholder Services ("ISS"), a recognized authority on proxy voting and corporate governance, or, in cases where ISS has not made any recommendations with respect to a proxy, in accordance with ISS's proxy voting guidelines.

Babson Capital recognizes, however, that there may be times when Babson Capital believes that it will be in the best interests of clients holding the securities to (1) vote against ISS's recommendations or (2) in cases where ISS has not provided Babson Capital with any recommendations with respect to a proxy, vote against ISS's proxy voting guidelines. Babson Capital may vote, in whole or part, against ISS's recommendations or ISS's proxy voting guidelines, as applicable. The procedures set forth in the Policy are designed to ensure that votes against ISS's recommendations or proxy voting guidelines have been made in the best interests of clients and are not the result of any material conflict of interest (a "Material Conflict").

#### Summary of Babson Capital's Proxy Voting Procedures

-----

Babson Capital has established a Proxy Committee that is responsible for the implementation and governance of the Policy and designated Proxy Administrators who will receive and post proxies for voting with ISS. In accordance with the Policy, Babson Capital will generally vote all client proxies in accordance with ISS's recommendation or proxy voting guidelines, unless a person authorized by the Proxy Committee (each a "Proxy Analyst"), the Proxy Committee or a designated member of the Proxy Committee determines that it is in the clients' best interest to vote against ISS's recommendation or proxy voting guidelines. In these cases, Babson Capital will vote against ISS's recommendation or proxy voting guidelines, so long as no other Proxy Analyst reviewing such proxy disagrees with such recommendation, and no known Material Conflict is identified by the Proxy Analyst(s) or the Proxy Administrator. Otherwise, the proxy is to be submitted to a member of the Proxy Committee, who shall determine how to vote the proxy unless (i) the Proxy Analyst or Proxy Administrator has identified a Babson Capital Material Conflict or (ii) said Proxy Committee member has identified a Material Conflict pertinent to him or herself or a Babson Capital Material Conflict. In such cases, the proxy shall be

submitted to the Proxy Committee, which may authorize a vote against

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

ISS's recommendation or proxy voting guidelines only if the Proxy Committee determines that such vote is in the clients' best interests.

No employee, officer, director, or Board of Managers Member of Babson Capital or its affiliates (other than those assigned such responsibilities under the Policy) may influence how Babson Capital votes any client proxy, unless such person has been requested to provide such assistance by a Proxy Analyst or Proxy Committee member and has disclosed any known Material Conflict. Any pre-vote communications prohibited by the Policy shall be reported to the Proxy Committee member prior to voting and to Babson Capital's General Counsel.

Obtaining a Copy of the Policy  
-----

The full text of Babson Capital's Policy is available (1) without charge, upon request, by calling 1-866-399-1516 or (2) on the Registrant's website, [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv).

### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The following disclosure item is made as of the date of this Form N-CSR unless otherwise indicated.

PORTFOLIO MANAGER. Clifford M. Noreen serves as the President of the Registrant (since 2005) and as its Portfolio Manager. Mr. Noreen began his service to the Registrant in 1993 as a Vice President. With over 25 years of industry experience, Mr. Noreen is President, a Managing Director and a Member of the Board of Managers of Babson Capital Management LLC ("Babson Capital") and head of Babson Capital's Corporate Securities Group, where he oversees public equities and corporate credit related investments, including public and private bonds, mezzanine, and private equity investments, and structured credit products. Mr. Noreen joined Massachusetts Mutual Life Insurance Company ("MassMutual"), Babson Capital's parent company, in 1985 and began leading its High Yield Team in 1992, where he was responsible for oversight of all public high yield portfolios. In 2004, Mr. Noreen assumed responsibility for Babson Capital's Public Corporate Credit Group, which included the Investment Grade and High Yield Institutional Fixed Income teams. Mr. Noreen also presently serves as President of MassMutual Corporate Investors, another closed-end registered investment company advised by Babson Capital. Mr. Noreen holds a B.A. from the University of Massachusetts and an M.B.A from American International College.

PORTFOLIO MANAGEMENT TEAM. Mr. Noreen has primary responsibility for overseeing the investment of the Registrant's portfolio, with the day-to-day investment management responsibility of the Registrant's portfolio being shared with the following Babson Capital investment professionals (together with the Portfolio Manager, the "Portfolio Team").

Michael P. Hermsen, Michael L. Klofas, and Richard E. Spencer II are each a Vice President of the Registrant and a Managing Director of Babson Capital. Together they are responsible for managing Babson Capital's Mezzanine Investment and Private Equity Investments Team within the Corporate Securities Group, which is responsible for finding, analyzing, negotiating and servicing mezzanine private placement securities for the Registrant.

Mr. Hermsen joined MassMutual in 1990 and has been an officer of the



## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Registrant since 1992. Previously, he worked at Teachers Insurance and Annuity Association where he was a generalist private placement analyst. At MassMutual and then Babson Capital, Mr. Hermsen has analyzed and invested in traditional private placements, high yield public and private bonds, and leveraged bank loans. He has also been responsible for managing a small portfolio of distressed investments. Since 1993, he has focused on originating, analyzing, structuring and documenting mezzanine and private equity investments. He holds a B.A. from Bowdoin College and an M.B.A. from Columbia University.

Mr. Klofas joined MassMutual in 1988 and has been an officer of the Registrant since 1989. Prior to joining MassMutual, he spent two years at a small venture capital firm and two years at a national public accounting firm. At MassMutual and then Babson Capital, Mr. Klofas has analyzed and invested in traditional private placements and high yield public bonds. He also spent four years leading Babson Capital's workout and restructuring activities. Since 1993, he has focused on originating, analyzing, structuring and documenting mezzanine and private equity investments. Mr. Klofas holds a B.A. from Brandeis University and an M.B.A. from Babson College as well as a Certified Public Accountant designation.

Mr. Spencer joined MassMutual in 1989 after three years as a corporate loan analyst at a major New England bank. He has been an officer of Registrant since 1990. At MassMutual and then Babson Capital, Mr. Spencer has analyzed and invested in traditional private placements, high yield public and private bonds, leveraged bank loans, mezzanine debt and private equity. From 1993 to 1999, he was the lead restructuring professional at Babson Capital. Since 1999, Mr. Spencer has been focused on the origination, analysis, structuring and documentation of mezzanine and private equity investments. He holds a B.A. from Bucknell University and an M.B.A. from the State University of New York at Buffalo.

Jill A. Fields is responsible for the day-to-day management of the Registrant's public high yield and investment grade fixed income portfolio. Ms. Fields has been a Vice President of the Registrant since 2006. Ms. Fields is a Managing Director of Babson Capital with over 20 years of industry experience in high yield total return, structured credit, leveraged loans and private placement investing. Prior to joining Babson Capital in 1997, she was a credit analyst at Shawmut National Bank, and the Director of Corporate Bond Research at Hartford Life Insurance Group. Ms. Fields holds a B.S. from Pennsylvania State University and an M.B.A. from the University of Connecticut.

OTHER ACCOUNTS MANAGED BY THE PORTFOLIO TEAM. The members of the Registrant's Portfolio Team also have primary responsibility for the day-to-day management of other Babson Capital advisory accounts, including, among others, closed-end and open-end investment companies, private investment funds, MassMutual-affiliated accounts, as well as separate accounts for institutional clients. These advisory accounts are identified below.

PORTFOLIO TEAM	ACCOUNT CATEGORY	TOTAL NUMBER OF ACCOUNTS	APPROXIMATE TOTAL ASSET SIZE (A)	NUMBER OF ACCOUNTS WITH PERFORMANCE-BASED ADVISORY FEE	APPROXIMATE ASSET SIZE PERFORMANCED BASED ADVISORY FEE ACCO
-----	-----	-----	-----	-----	-----

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Clifford M. Noreen (B)	Registered Investment Companies	1	\$208.1 million	0	N/A
	Other Pooled Investment Vehicles	1	\$26.5 million	1	\$26.5 mi
	Other Accounts	0	N/A	0	N/A
Jill A. Fields	Registered Investment Companies	2	\$320.8 million	0	N/A
	Other Pooled Investment Vehicles	1	\$30.3 million	1	\$30.3 mi
	Other Accounts	5 (C)	\$407.2 million	0	N/A
Michael P. Hermsen	Registered Investment Companies	1	\$208.1 million	0	N/A
	Other Pooled Investment Vehicles (D)	5	\$1.0 billion	5	\$1.0 bil
	Other Accounts	0	N/A	N/A	N/A
Michael L. Klofas	Registered Investment Companies	1	\$208.1 million	0	N/A
	Other Pooled Investment Vehicles (D)	5	\$1.0 billion	5	\$1.0 bil
	Other Accounts	0	N/A	N/A	N/A
Richard E. Spencer II	Registered Investment Companies	1	\$208.1 million	0	N/A
	Other Pooled Investment Vehicles (D)	5	\$1.0 billion	5	\$1.0 bil
	Other Accounts	0	N/A	N/A	N/A

(A) Account asset size has been calculated as of December 31, 2008.

(B) Mr. Noreen, as the head of Babson Capital's Corporate Securities Group, has overall responsibility for all corporate credit related investments, including public and private bonds, mezzanine, and private equity investments, as well as structured credit products managed by Babson Capital. Except for the accounts noted in the table above, Mr. Noreen is not primarily responsible for the day-to-day management of the other accounts managed by Babson Capital's Corporate Securities Group.

(C) Ms. Fields manages the high yield sector of the general investment account of Massachusetts Mutual Life Insurance Company; however these assets are not represented in the table above.

(D) The listed account and managed assets represent a portion of the general investment account of MassMutual and C.M. Life Insurance Company for which an individual Portfolio Team member has primary day-to-day responsibility.

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

MATERIAL CONFLICTS OF INTEREST. The potential for material conflicts of interest may exist as the members of the Portfolio Team have responsibilities for the day-to-day management of multiple accounts. These conflicts may be heightened to the extent the individual, Babson Capital and/or an affiliate has an investment in one or much of such accounts or an interest in the performance of such accounts. Babson Capital has identified (and summarized below) areas where material conflicts of interest are most likely to arise, and has adopted policies and procedures that it believes are reasonably designed to address such conflicts.

It is possible that an investment opportunity may be suitable for both the Registrant and other accounts managed by a member of the Portfolio Team, but may not be available in sufficient quantities for both the Registrant and the other accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by the Registrant and another account. A conflict may arise where a member of the Portfolio Team may have an incentive to treat an account preferentially as compared to the Registrant because the account pays Babson Capital a performance-based fee or a member of the Portfolio Team, Babson Capital, or an affiliate has an interest in the account. Babson Capital has adopted an investment allocation policy and trade allocation procedures to address allocation of portfolio transactions and investment opportunities across multiple clients. These policies are designed to achieve fair and equitable treatment of all clients over time, and specifically prohibit allocations based on performance of an account, the amount or structure of the management fee, performance fee or profit sharing allocations, participation or investment by an employee, Babson Capital or an affiliate, whether the account is public, private, proprietary or third party. Additionally, the Registrant, MassMutual, Babson Capital, MassMutual Corporate Investors, and any private investment company advised or sub-advised by Babson Capital have obtained a blanket order from the Securities and Exchange Commission pursuant to Section 17(d), and Rule 17(d)-1 thereunder, of the Investment Company Act of 1940, as amended, which sets forth the conditions by which the entities can engage in private placement co-investment activities.

Potential material conflicts of interest may also arise related to the knowledge and timing of the Registrant's trades, investment opportunities and broker selection. A member of the Portfolio Team will have information about the size, timing and possible market impact of the Registrant's trades. It is theoretically possible that a member of the Portfolio Team could use this information for his or her personal advantage or the advantage of other accounts he manages or the possible detriment of the Registrant. For example, a member of the Portfolio Team could front run a fund's trade or short sell a security for an account immediately prior to the Registrant's sale of that security. To address these conflicts, Babson Capital has adopted policies and procedures governing employees' personal securities transactions, the use of short sales, and trading between the Registrant and other accounts managed by members of the Portfolio Team or accounts owned by Babson Capital or its affiliates.

With respect to securities transactions for the Registrant, Babson Capital determines which broker to use to execute each order, consistent with its duty to seek best execution of the transaction. Babson Capital manages certain other accounts, however, where Babson Capital may be limited by the client with respect to the selection of brokers or directed to trade such client's transactions through a

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

particular broker. In these cases, trades for a fund in a particular security may be placed separately from, rather than aggregated with, such other accounts. Placing separate transaction orders for a security may temporarily affect the market price of the security or otherwise affect the execution of the transaction to the possible detriment of a fund or the other account(s) involved. Babson Capital has policies and procedures that address best execution and directed brokerage.

Members of the Portfolio Team may also face other potential conflicts of interest in managing the Registrant, and the above is not a complete description of every conflict of interest that could be deemed to exist in managing both the Registrant and the other accounts listed above.

COMPENSATION. The current Babson Capital compensation and incentive program for investment professionals is designed to attract, motivate and retain high-performing individuals.

To help Babson Capital make informed decisions, the Company participates in annual compensation surveys of investment management firms using McLagan Partners, in addition to other industry specific resources. The firms selected for periodic peer-group comparisons typically have similar asset size or business mix. Annually, a review is conducted of total compensation versus market, to ensure that individual pay is competitive with the defined overall market.

The compensation package for the members of the Portfolio Team is comprised of a market-driven base salary, a performance-driven annual bonus, and discretionary long-term incentives. The performance-driven bonus is based on the performance of the accounts managed by the members of the Portfolio Team relative to appropriate benchmarks, including with respect to the Registrant, to the Russell 2000 Index and Lehman Brothers U.S. Corporate High Yield Index. Performance of the Registrant, like other accounts Portfolio Team members manage, are evaluated on a pre-tax basis, and are reviewed over one and three-year periods, with greater emphasis given to the latter. There are other factors that affect bonus awards to a lesser extent, such as client satisfaction, teamwork, the assets under management, and the overall success of Babson Capital. Such factors are considered as a part of the overall annual bonus evaluation process by the management of Babson Capital.

Long-Term incentives are designed to share with participants the longer-term value created in Babson Capital. Long-term incentives may take the form of deferred cash awards (including deferred cash awards that provide a portfolio manager with the economic equivalent of a "shareholder" interest in the firm by linking the value of the award to a formula which ties to the value of the business), and/or, in the case of a portfolio manager who manages a private investment fund with a performance fee, a deferred cash award or a direct profit sharing interest that results in the manager receiving amounts based on the amount of the performance fee paid by such fund. These long-term incentives vest over time and are granted annually, based upon the same criteria used to determine the performance-driven annual bonus detailed above. Because the Portfolio Team members are generally responsible for multiple accounts (including the Registrant), they are compensated on the overall performance of the accounts that they manage, rather than a specific account, except for the portion of compensation relating to any performance fee award.

BENEFICIAL OWNERSHIP. As of December 31, 2008, members of the Portfolio

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Team beneficially owned the following dollar range of equity securities in the Registrant:

PORTFOLIO TEAM -----	DOLLAR RANGE OF BENEFICIALLY OWNED* EQUITY SECURITIES OF THE REGISTRANT -----
Clifford M. Noreen	None
Jill A. Fields	None
Michael P. Hermsen	\$10,001-\$50,000
Michael L. Klofas	None
Richard E. Spencer II	\$1-\$10,000

\* Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, as amended.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not Applicable for this filing.

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not Applicable for this filing.

### ITEM 11. 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-CSR is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) during the Registrant's second fiscal half-year that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

(a) (1) ANY CODE OF ETHICS, OR AMENDMENTS THERETO, THAT IS THE SUBJECT OF DISCLOSURE REQUIRED BY ITEM 2, TO THE EXTENT THAT THE REGISTRANT INTENDS TO SATISFY THE ITEM 2 REQUIREMENTS THROUGH THE FILING OF AN EXHIBIT.

None.

(a) (2) A SEPARATE CERTIFICATION FOR EACH PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER OF THE REGISTRANT AS REQUIRED BY RULE 30a-2 UNDER THE ACT.

Attached hereto as EX-99.31.1

Attached hereto as EX-99.31.2

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

(a) (3) ANY WRITTEN SOLICITATION TO PURCHASE SECURITIES UNDER RULE 23c-1 UNDER THE ACT (17 CFR 270.23c-1) SENT OR GIVEN DURING THE PERIOD COVERED BY THE REPORT BY OR ON BEHALF OF THE REGISTRANT TO 10 OR MORE PERSONS.

Not Applicable for this filing.

(b) CERTIFICATIONS PURSUANT TO RULE 302-2(b) UNDER THE ACT.

Attached hereto as EX-99.32

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): MassMutual Participation Investors  
-----  
By: /s/ Clifford M Noreen  
-----  
Clifford M Noreen, President  
-----  
Date: March 6, 2009  
-----

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: /s/ Clifford M Noreen  
-----  
Clifford M Noreen, President  
-----  
Date: March 6, 2009  
-----  
By: /s/ James M. Roy  
-----  
James M. Roy, Vice President, and  
Chief Financial Officer  
-----  
Date: March 6, 2009  
-----