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MASSMUTUAL PARTICIPATION INVESTORS

Form N-CSR

March 08, 2010

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  
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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)

Patricia 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  
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Date of reporting period: 12/31/09  
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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  
2009 Annual Report

MASSMUTUAL PARTICIPATION INVESTORS  
c/o Babson Capital Management LLC  
1500 Main Street  
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

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Denver, Colorado 80217-3673  
1-800-647-7374

### 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 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, 2009 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.

### OFFICERS OF THE TRUST

Clifford M. Noreen  
Chairman

Michael L. Klofas  
President

Michael P. Hermsen  
Vice President

Richard E. Spencer, II  
Vice President

Jill A. Fields  
Vice President

James M. Roy  
Vice President  
& Chief Financial  
Officer

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

### 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.

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## 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 16, 2010 at 1:30 P.M. in Springfield, Massachusetts.

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## PORTFOLIO COMPOSITION AS OF 12/31/09\*

[PIE CHART APPEARS HERE]

PRIVATE / RESTRICTED EQUITY 12.0%	PUBLIC EQUITY 0.5%
CASH & SHORT-TERM INVESTMENTS 8.8%	PRIVATE / 144A HIGH YIELD DEBT 68.6%
PUBLIC HIGH YIELD DEBT 10.1%	

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

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

[BAR CHART APPEARS HERE]

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MASSMUTUAL PARTICIPATION INVESTORS (BASED ON CHANGE IN THE NET ASSET VALUE WITH REINVESTED DIVIDENDS)	8.11	3.41	5.70	23.72	25.14	22.51	18.64	9.95
RUSSELL 2000 INDEX	-3.03	2.49	-20.48	47.25	18.33	4.55	18.37	-1.57
BARCLAYS CAPITAL U.S. CORPORATE HIGH YIELD INDEX	-5.86	5.28	-1.41	28.97	11.13	2.74	11.85	1.87
	2000	2001	2002	2003	2004	2005	2006	2007

\* 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.

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### TO OUR SHAREHOLDERS

As the Trust announced in January of 2009, 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 Executive Officer of Massachusetts Mutual Life Insurance Company. Clifford M. Noreen, the Trust's former President, was appointed as a Trustee and elected to replace Mr. Crandall as Chairman of the Board of Trustees. Additionally, I was elected to succeed Mr. Noreen as President of the Trust.

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2009.

### THE TRUST'S 2009 PORTFOLIO PERFORMANCE

The Trust's net total portfolio rate of return for 2009 was 7.60%, 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 \$108,925,375, or \$10.91 per share, as of December 31, 2009. This compares to \$110,175,930, or \$11.10 per share, as of December 31, 2008. The Trust paid a quarterly dividend of 25 cents per share for each of the four quarters of 2009. Including the fourth quarter dividend paid in January 2010, total dividends for the year were \$1.00 per share, which was unchanged from the prior year. We are pleased to be able to maintain the Trust's dividend despite the extremely challenging economic environment during 2009.

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 Index for the 1, 3, 5 and 10 years ended December 31, 2009 are provided for comparison purposes only.

	The Trust	Barclays Capital U.S. Corporate High Yield Index	Russell 2000 Index
1 Year	7.60%	58.21%	27.17%
3 Year	3.60%	5.97%	-6.07%

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5 Year	10.08%	6.46%	-0.51%
10 Year	11.45%	6.71%	3.51%

Past performance is no guarantee of future results.

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### MARKET CONDITIONS

The year 2009 opened with the entire global economy mired in a deep recession rooted in the mortgage and credit crisis that unfolded in mid-2007. This grim environment continued into March. With unprecedented stimulus from governments around the world, however, the financial markets began a rally that lifted both equity and bond markets through the end of the year. The Dow Jones Industrial Average gained 18.8% for the year, but was up nearly 60% from its March 2009 low. Asset classes that were among the poorest performers in 2008 had some of the largest advances in 2009. These asset classes included high yield bonds and loans, which both reported gains of more than 50%, according to Barclays Capital.

After the celebrated rally, however, questions remain about what is next for the U.S. economy. The unemployment rate, according to the U.S. Department of Labor, ended 2009 at 10%, up from 7.1% at year-end 2008, with expectations that it will remain high throughout 2010. Inflation was 2.7% in 2009, compared to just 0.1% in 2008. The value of the dollar varied widely versus the currencies of the main U.S. trading partners in 2009, and the 2010 outlook remains unclear. The massive U.S. stimulus spending also raises concerns about potential tax increases to finance the national debt, which creates uncertainty for investors and companies alike. It is possible that corporate credit defaults have peaked: after rising for 23 straight months since January 2008, the Moody's Investors Service global issuer-weighted speculative-grade default rate declined in December 2009, though it still finished the year at 12.5%, well above its historical average of 5%. Moody's predicts defaults will fall dramatically in 2010.

### PORTFOLIO ACTIVITY

Similar to 2008, the Trust's investment activity was very sporadic during 2009. During the first and second quarters of the year, middle market buyout activity was quite low due to a shortage of available credit. Senior lending capacity, one of the key drivers of buyout activity, was limited as these capital providers refrained from taking risk. As a result, the Trust was able to complete only three new private placement transactions during the first half of 2009. Beginning in the third quarter of 2009, banks and other senior debt providers slowly began to make more capital available to finance middle market transactions and the Trust's investment activity increased correspondingly. During the second half of 2009, the Trust completed seven new private placement transactions.

For the full year 2009, the Trust closed ten new private placement transactions and made add-on investments in seven existing portfolio companies. Total private placement investments in 2009 were \$13,887,651. In 2008, the Trust closed 23 new private placement transactions and nine add-on investments aggregating \$28,001,715. While the Trust invested fewer dollars in 2009, we are nonetheless pleased with the Trust's level of investment activity given the significant decline in middle market buyout transactions that occurred during the year and reports of other middle

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market mezzanine investors struggling to close any deals. We are also pleased to report that the trend towards lower leverage and more conservative capital structures which began in early 2008 continued throughout 2009. In addition, return expectations for the Trust's new investments continued to be more favorable than they have been for several years.

New private placement investments completed during 2009 were: A E Company, Inc.; A S C Group, Inc.; Apex Analytix Holding Corporation; Custom Engineered Wheels, Inc.; International Offshore Services LLC; Northwest Mailing Services, Inc.; Precision Wire Holding Company; Sencore Holding Company; Spartan Foods Holding Company; and Telecorps Holdings, Inc.

In addition, the Trust added to existing private placement investments in Arrow Tru-Line Holdings, Inc.; K P I Holdings, Inc.; NetShape Technologies, Inc.; Postle Aluminum Company LLC; Telecorps Holdings, Inc.; Visioneering, Inc.; and Vitex Packaging Group, Inc.

As 2009 drew to a close, we had some very positive news from the portfolio. A T I Acquisition Company and Vitality Foodservice, Inc. were both sold in late December and the Trust realized significant gains on its investments in these companies. These transactions represented the first meaningful realization activity for the Trust's portfolio since the early part of 2008.

In contrast to the positive developments around realization activity, however, is the fact that the weak economy that existed during most of 2009 negatively impacted the financial performance of many of the Trust's portfolio companies. Many of these companies had to amend their debt covenants, raise additional capital, or request relief from their debt service requirements. We spent considerable time working closely with the transaction sponsors and the management teams of these portfolio companies to remedy these situations during 2009.

2009 Dividends	Record Date	Ordinary Income	Tax Effect	Long-Term Gains
Regular	5/4/2009	0.2500		--
	8/3/2009	0.2500		--
	10/26/2009	0.2500		--
	12/31/2009	0.2500		--
		\$1.0000	\$1.00	\$ --

The Trust did not have distributable net long-term capital gains in 2009.

Annual Dividend Amount Per Share	Qualified for Dividend Received Deduction*		Qualified Dividends**		Interest Earned U.S. Gov't. Obliga	
	Percent	Amount Per Share	Percent	Amount Per Share	Percent	Amount Pe
\$1.00	0.0000%	0.0000	0.0000%	0.0000	0.0000%	0.00

\* Not available to individual shareholders

\*\* Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2009

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The year 2010 opened with many breathing a sigh of relief, looking back on how difficult the previous 18 months had been and how the worst now seems to be behind us. The housing market, where much of the trouble started, seems to have bottomed out. Companies have begun to report improved profits, primarily due to cost-cutting rather than sales growth. The Federal Reserve has held fast on a policy of near zero interest rates, providing needed liquidity to the market.

But companies still need to grow revenues to create more jobs, and financial institutions need to lend money to fund expansion and capital investments. Government stimulus cannot continue forever and the Federal Reserve will eventually have to move away from its easy money policy. It is uncertain how the economy will react in 2010 to these and other developments.

We have begun 2010 with a reasonable backlog of new investment opportunities and an expectation that leverage and pricing conditions will also continue to be favorable for the Trust. We are hopeful that realization activity will increase in 2010 due to the pent-up demand for such transactions. However, we still expect 2010 to be another challenging year as the Trust's portfolio companies rebound from the affects of the economic recession.

Regardless of the economic environment, the Trust continues to 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, along with Babson Capital's seasoned investment-management team, positions the Trust well to 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/ Michael L. Klofas

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

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### FINANCIAL REPORT

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### MASSMUTUAL PARTICIPATION INVESTORS

#### CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES December 31, 2009

##### ASSETS:

Investments	
(See Consolidated Schedule of Investments)	
Corporate restricted securities at fair value (Cost - \$113,848,465)	\$ 96,237,704
Corporate restricted securities at market value (Cost - \$2,541,312)	2,555,270
Corporate public securities at market value (Cost - \$13,931,954)	12,927,461
Short-term securities at amortized cost	7,521,626
	119,242,061
Cash	3,281,242
Interest receivable	1,522,195
Receivable for investments sold	45,613
<b>TOTAL ASSETS</b>	<b>124,091,111</b>

##### LIABILITIES:

Dividend payable	2,495,810
Investment advisory fee payable	245,082
Note payable	12,000,000
Interest payable	88,933
Accrued expenses	156,827
Accrued taxes payable	120,963
Other payables	58,121
	15,165,736
<b>TOTAL LIABILITIES</b>	<b>15,165,736</b>
<b>TOTAL NET ASSETS</b>	<b>\$108,925,375</b>

##### NET ASSETS:

Common shares, par value \$.01 per share; an unlimited number authorized	\$ 99,832
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Additional paid-in capital	93,100,508
Retained net realized gain on investments, prior years	32,871,737
Undistributed net investment income	1,272,124
Accumulated net realized gain on investments	267,433
Net unrealized depreciation of investments	(18,686,259)

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TOTAL NET ASSETS	\$108,925,375
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COMMON SHARES ISSUED AND OUTSTANDING	9,983,239
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NET ASSET VALUE PER SHARE	\$ 10.91
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See Notes to Consolidated Financial Statements

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### MASSMUTUAL PARTICIPATION INVESTORS

#### CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2009

#### INVESTMENT INCOME:

Interest	\$ 11,596,580
Dividends	792
Other	16,346

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TOTAL INVESTMENT INCOME	11,613,718
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#### EXPENSES:

Investment advisory fees	981,170
Interest	696,000
Trustees' fees and expenses	165,750
Professional fees	149,750
Reports to shareholders	108,000
Custodian fees	25,000
Transfer agent/registrar's expenses	19,000
Other	93,520

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TOTAL EXPENSES	2,238,190
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INVESTMENT INCOME - NET	9,375,528
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#### NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:

Net realized gain on investments before taxes	1,022,367
Income tax expense	(9,792)

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Net realized gain on investments after taxes	1,012,575
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Net change in unrealized depreciation of investments before taxes	(2,214,915)
Net change in deferred income tax expense	(84,963)

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Net change in unrealized depreciation of investments after taxes	(2,299,878)
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NET LOSS ON INVESTMENTS	(1,287,303)
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ 8,088,225

See Notes to Consolidated Financial Statements

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MASSMUTUAL PARTICIPATION INVESTORS

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended December 31, 2009

NET INCREASE IN CASH:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$ (1,783,828)
Purchases of portfolio securities	(27,482,616)
Proceeds from disposition of portfolio securities	30,475,037
Interest, dividends and other income received	11,171,000
Interest expense paid	(696,000)
Operating expenses paid	(1,524,661)
Income tax refund, net	3,208

NET CASH PROVIDED BY OPERATING ACTIVITIES 10,162,140

Cash flows from financing activities:

Cash dividends paid from net investment income	(9,941,269)
Receipts for shares issued on reinvestment of dividends	616,488

NET CASH USED FOR FINANCING ACTIVITIES (9,324,781)

NET INCREASE IN CASH 837,359

Cash - beginning of year 2,443,883

CASH - END OF YEAR \$ 3,281,242

RECONCILIATION OF NET INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$ 8,088,225

Decrease in investments	2,139,574
Decrease in interest and dividends receivable	18,533
Decrease in receivable for investments sold	63,038
Decrease in payable for investments purchased	(412,776)
Decrease in investment advisory fee payable	(2,814)
Increase in accrued expenses	10,413
Increase in accrued taxes payable	247,963
Increase in other payables	9,984

Total adjustments to net assets from operations 2,073,915

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Net cash provided by operating activities \$ 10,162,140

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See Notes to Consolidated Financial Statements

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MASSMUTUAL PARTICIPATION INVESTORS

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2009 and 2008

	2009	2008
<hr/>		
DECREASE IN NET ASSETS:		
OPERATIONS:		
Investment income - net	\$ 9,375,528	\$ 10,671,937
Net realized gain (loss) on investments	1,012,575	(1,165,028)
Net change in unrealized depreciation of investments	(2,299,878)	(16,888,301)
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Net increase (decrease) in net assets resulting from operations	8,088,225	(7,381,392)
<hr/>		
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2009 - 55,996; 2008 - 65,632)	616,488	847,131
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Dividends to shareholders from:		
Net investment income (2009 - \$1.00 per share; 2008 - \$1.00 per share)	(9,955,268)	(9,915,143)
<hr/>		
Total decrease in net assets	(1,250,555)	(16,449,404)
<hr/>		
Net assets, beginning of year	110,175,930	126,625,334
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Net assets, end of year (including undistributed net investment income of \$1,272,124 and \$1,781,677, respectively)	\$108,925,375	\$110,175,930
<hr/>		

See Notes to Consolidated Financial Statements

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MASSMUTUAL PARTICIPATION INVESTORS

CONSOLIDATED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	FOR THE YEARS ENDED DECEMBER 31,			
	2009	2008	2007	2006

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NET ASSET VALUE: BEGINNING OF YEAR	\$	11.10	\$	12.84	\$	12.90	\$	12.21	\$
Net investment income (a)		0.94		1.08		1.23		1.10	
Net realized and unrealized gain (loss) on investments		(0.13)		(1.82)		(0.05)		0.77	
TOTAL FROM INVESTMENT OPERATIONS		0.81		(0.74)		1.18		1.87	
Dividends from net investment income to common shareholders		(1.00)		(1.00)		(1.23)		(1.18)	
Dividends from net realized gain on investments to common shareholders		--		--		(0.02)		(0.01)	
Increase from dividends reinvested		0.00 (c)		0.00 (c)		0.01		0.01	
TOTAL DIVIDENDS		(1.00)		(1.00)		(1.24)		(1.18)	
NET ASSET VALUE: END OF YEAR	\$	10.91	\$	11.10	\$	12.84	\$	12.90	\$
PER SHARE MARKET VALUE: END OF YEAR	\$	12.20	\$	9.05	\$	13.18	\$	14.70	\$
Total investment return									
Net asset value (d)		7.60%		(6.01%)		9.95%		18.64%	2
Market value		40.86%		(25.36%)		(1.30%)		16.81%	1
Net assets (in millions): End of year	\$	108.93	\$	110.18	\$	126.63	\$	126.52	\$
Ratio of operating expenses to average net assets		1.41%		1.33%		1.36%		1.17%	
Ratio of interest expense to average net assets		0.63%		0.58%		0.56%		0.57%	
Ratio of income tax expense to average net assets (e)		0.00%		0.00%		0.48%		2.68%	
Ratio of total expenses before custodian reduction to average net assets (e)		2.04%		1.91%		2.40%		4.46%	
Ratio of net expenses after custodian reduction to average net assets (e)		2.04%		1.91%		2.40%		4.42%	
Ratio of net investment income to average net assets		8.55%		8.74%		9.32%		8.43%	
Portfolio turnover		23%		32%		33%		34%	

(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	\$
Asset coverage per \$1,000 of indebtedness	\$	10,077	\$	10,181	\$	11,552	\$	11,543	\$

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2009

	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE	ACQUISITION DATE
CORPORATE RESTRICTED SECURITIES -- 90.70%(A)		
PRIVATE PLACEMENT INVESTMENTS -- 87.93%		
A E COMPANY, INC.		
A designer and manufacturer of machined parts and assembly structures for the commercial and military markets.		
11% Senior Secured Note due 2015	\$ 807,692	*
13% Senior Subordinated Note due 2016	\$ 807,693	11/10/09
Common Stock (B)	184,615 shs.	11/10/09
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	92,308 shs.	11/10/09
* 11/10/09 and 11/18/09.		
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	\$ 1,312,367	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
A S C GROUP, INC.		
A designer and manufacturer of high reliability encryption equipment, communications products, and components primarily for the military and aerospace sectors.		
12.75% Senior Subordinated Note due 2016	\$ 1,227,273	10/09/09
Limited Liability Company Unit Class A (B)	1,249 uts.	10/09/09
Limited Liability Company Unit Class B (B)	1,473 uts.	10/09/09
A W X HOLDINGS CORPORATION		
A provider of aerial equipment rental, sales and repair services to non-residential construction operating in the State of 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	\$ 1,146,906	12/27/07
Preferred Stock (B)	546 shs.	12/27/07

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CORPORATE RESTRICTED SECURITIES: (A) (Continued)	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE	ACQUISITION DATE
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<b>AERO HOLDINGS, INC.</b>		
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
<b>ALL CURRENT HOLDING COMPANY</b>		
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
<b>AMERICAN HOSPICE MANAGEMENT HOLDING LLC</b>		
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.		
<b>APEX ANALYTIX HOLDING CORPORATION</b>		
A provider of audit recovery and fraud detection services and software to commercial and retail businesses.		
12.5% Senior Subordinated Note due 2016	\$ 1,012,500	04/28/09
Preferred Stock Series B (B)	1,623 shs.	04/28/09
Common Stock (B)	723 shs.	04/28/09
<b>ARROW TRU-LINE HOLDINGS, INC.</b>		
A manufacturer of hardware for residential and commercial overhead garage doors in North America.		
14% Senior Subordinated Note due 2012	\$ 950,925	05/18/05
Preferred Stock (B)	33 shs.	10/16/09
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

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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

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CORPORATE RESTRICTED SECURITIES: (A) (Continued)	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP		ACQUISITION
	PERCENTAGE		DATE
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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

CAPITAL SPECIALTY PLASTICS, INC.

A producer of desiccant strips used for packaging pharmaceutical products.

Common Stock (B)		55 shs.	*
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\* 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



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### 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 flooring products.

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

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CORPORATE RESTRICTED SECURITIES: (A) (Continued)		
<b>CRANE RENTAL CORPORATION</b>		
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
<b>CUSTOM ENGINEERED WHEELS, INC.</b>		
A manufacturer of custom engineered, non-pneumatic plastic wheels and plastic tread cap tires used on products and wheelchairs.		
12.5% Senior Subordinated Note due 2016	\$ 1,155,288	10/27/09
Preferred Stock PIK	156 shs.	10/27/09
Preferred Stock Series A	114 shs.	10/27/09
Common Stock (B)	38 shs.	10/27/09
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	28 shs.	10/27/09

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### 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)	1,293 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	\$ 231,429	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.

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CORPORATE RESTRICTED SECURITIES: (A) (Continued)	PERCENTAGE	DATE
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### E S P HOLDCO, INC.

A manufacturer of power protection technology for commercial office equipment, primarily supplying network.

14% Senior Subordinated Note due 2015	\$ 1,222,736	01/08/08
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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
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	\$ 1,160,671	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 (D)	\$ 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 uts.	06/01/06
FLUTES, INC.		
An independent manufacturer of micro fluted corrugated sheet material for the food and consumer p		
10% Senior Secured Term Note due 2013 (D)	\$ 524,791	04/13/06
14% Senior Subordinated Note due 2014 (D)	\$ 317,177	04/13/06
GOLDEN COUNTY FOODS HOLDING, INC.		
A manufacturer of frozen appetizers and snacks.		
16% Senior Subordinated Note due 2015	\$ 1,012,500	11/01/07
16% PIK Note due 2015	\$ 194,382	12/31/08
8% Series A Convertible Preferred Stock, convertible into 4.25% of the fully diluted common shares (B)	77,643 shs.	11/01/07
H M HOLDING COMPANY		
A designer, manufacturer, and importer of promotional and wood furniture.		
7.5% Senior Subordinated Note due 2013 (D)	\$ 362,700	10/15/09
Preferred Stock (B)	21 shs.	*
Preferred Stock Series B (B)	1,088 shs.	10/15/09
Common Stock (B)	180 shs.	02/10/06
Common Stock Class C (B)	296 shs.	10/15/09
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

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	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE	ACQUISITION DATE
CORPORATE RESTRICTED SECURITIES: (A) (Continued)	-----	-----
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
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
INTERNATIONAL OFFSHORE SERVICES LLC		
A leading provider of marine transportation services, platform decommissioning, and salvage services in the shallow waters of the Gulf of Mexico.		
14.25% Senior Subordinated Secured Note due 2017	\$ 1,350,000	07/07/09
Limited Liability Company Unit (B)	1,647 uts.	07/07/09
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

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K H O F HOLDINGS, INC.

A manufacturer of premium disposable tableware products serving both the foodservice and consumer		
14% Senior Subordinated Note due 2014	\$ 1,288,791	10/15/07
Common Stock (B)	116,827 shs.	10/15/07

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## MassMutual Participation Investors

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	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE	ACQUISITION DATE
CORPORATE RESTRICTED SECURITIES: (A) (Continued)	-----	-----
 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
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.		
Pace Industries is the largest player in the U.S. non-automotive, non-ferrous die casting segment		
13% Senior Subordinated Note due 2014	\$ 1,115,217	07/16/08
Convertible Preferred Stock Series C (B)	29 shs.	06/30/09
Convertible Preferred Stock Series D (B)	13 shs.	09/17/09
Common Stock (B)	235 shs.	07/15/08
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	388 shs.	*
* 07/16/08 and 09/17/09.		
 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	\$ 1,424,330	03/14/07
Common Stock (B)	123 shs.	03/13/07
Warrant, exercisable until 2019, to purchase preferred stock at \$.01 per share (B)	71 shs.	07/07/09
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		
14% Senior Subordinated Note due 2015	\$ 1,204,979	12/20/07
Preferred Stock (B)	192,314 shs.	12/20/07
Common Stock (B)	54,326 shs.	12/20/07

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### L H D EUROPE HOLDING, INC.

A non-carbonated beverage dispensing company focused on the food service industry.

Common Stock (B)	45 shs.	12/28/09
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### 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	\$ 651,258	09/12/08
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Common Stock (B)	32 shs.	09/12/08
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Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	35 shs.	09/12/08
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### MAIL COMMUNICATIONS GROUP, INC.

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

12.5% Senior Subordinated Note due 2014	\$ 516,177	05/04/07
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Limited Liability Company Unit (B)	12,763 uts.	*
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Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	1,787 shs.	05/04/07
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\* 05/04/07 and 01/02/08.

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

##### MAVERICK ACQUISITION COMPANY

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

7.1% Senior Secured Tranche A Note due 2010 (C)	\$ 149,650	09/03/04
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12.5% Senior Secured Tranche B Note due 2011	\$ 179,104	09/03/04
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7.72% Senior Secured Revolver due 2011 (C)	\$ 29,105	09/03/04
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Limited Partnership Interest (B)	4.48% int.	09/03/04
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Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	243 shs.	09/03/04
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##### 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	\$ 616,045	08/29/08
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Preferred Unit (B)	66 uts.	08/29/08
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Common Unit Class A (B)	671 uts.	08/29/08
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Common Unit Class B (B)	250 uts.	08/29/08
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### 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)		0.74% 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.

### MILWAUKEE GEAR COMPANY

A manufacturer of high-precision custom gears and gear drives used by original equipment manufactu  
industries.

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

### MOMENTUM HOLDING CO.

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

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

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		-----	-----
CORPORATE RESTRICTED SECURITIES: (A) (Continued)			
MONESSEN HOLDING CORPORATION			
A designer and manufacturer of a broad line of gas, wood, and electric hearth products and access			
14% Senior Subordinated Note due 2014	\$	1,350,000	07/25/08
14% PIK Note due 2014	\$	419,713	07/25/08
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)		81 shs.	03/31/06

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### NABCO, INC.

A producer of explosive containment vessels in the United States.

14% Senior Subordinated Note due 2014	\$	330,882	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 2010	\$	42,135	11/14/08
14% Senior Subordinated Note due 2014 (D)	\$	764,921	05/28/04
10.75% Senior Secured Note due 2011 (D)	\$	348,118	05/28/04

### 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)		63,191 shs.	08/02/07

### NETSHAPE TECHNOLOGIES, INC.

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

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.	*
Limited Liability Company Unit Class D-1 of Saw Mill PCG Partners LLC (B)		29 uts.	09/30/09
Preferred Stock Class A (B)		1 sh.	12/18/08
Preferred Stock Class A-1 (B)		3 shs.	09/30/09
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)		48 shs.	02/02/07

\* 12/18/08 and 09/30/09.

### NORTHWEST MAILING SERVICES, INC.

A producer of promotional materials for companies that use direct mail as part of their customer acquisition programs.

12% Senior Subordinated Note due 2016	\$	1,207,895	07/09/09
Limited Partnership Interest (B)		1,421, uts.	07/09/09
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)		1,852 shs.	07/09/09

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CORPORATE RESTRICTED SECURITIES: (A) (Continued)	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE	ACQUISITION DATE
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<b>NYLONCRAFT, INC.</b>		
A supplier of engineered plastic components for the automotive industry.		
9% Senior Secured Note due 2012	\$ 464,286	01/28/02
15% Senior Subordinated Note due 2012 (D)	\$ 285,714	01/28/02
Convertible Preferred Stock A (B)	571 shs.	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
 <b>OAKRIVER TECHNOLOGY, INC.</b>		
Designs, engineers and assembles high precision automated process equipment for the medical device defibrillators and stents.		
10% Senior Secured Note due 2012	\$ 81,089	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
 <b>OLYMPIC SALES, INC.</b>		
A boat retailer in Washington state, Oregon, California and British Columbia.		
12% Senior Subordinated Note due 2010 (D)	\$ 511,000	08/07/98
12% Senior Subordinated Note due 2010 (D)	\$ 244,154	02/09/00
 <b>ONTARIO DRIVE &amp; GEAR LTD.</b>		
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
 <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	\$ 1,230,482	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

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2009

CORPORATE RESTRICTED SECURITIES: (A) (Continued)	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE	ACQUISITION DATE
<b>PACIFIC CONSOLIDATED HOLDINGS LLC</b>		
A manufacturer of rugged, mobile liquid and gaseous oxygen and nitrogen generating systems used in and medical sectors.		
14% Senior Subordinated Note due 2012	\$ 704,835	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 12% Senior Subordinated Note due 2011		
Membership Interests of MM/Lincap	\$ 1,125,000	12/19/00
PPI Investments, Inc., LLC (B)	1.28% int.	12/21/00
<b>PEARLMAN ENTERPRISES, INC.</b>		
A developer and distributor of tools, equipment and supplies to the natural and engineered stone		
Preferred Stock Series A (B)	1,236 shs.	05/22/09
Preferred Stock Series B (B)	7,059 shs.	05/22/09
Common Stock (B)	21,462 shs.	05/22/09
<b>POSTLE ALUMINUM COMPANY LLC</b>		
A manufacturer and distributor of aluminum extruded products.		
3% Senior Subordinated PIK Note due 2014 (D)	\$ 1,163,700	10/02/06
Limited Liability Company Unit Class A	733 uts.	10/02/06
Limited Liability Company Unit	76 uts.	05/22/09
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	4,550 shs.	10/02/06
<b>POWER SERVICES HOLDING COMPANY</b>		
A provider of industrial motor repair services, predictive and preventative maintenance, and perf serving 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 common stock at \$.01 per share (B)	700 shs.	02/11/08
<b>PRECISION WIRE HOLDING COMPANY</b>		

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A manufacturer of specialty medical wires that are used in non-elective minimally invasive surgical		
14.25% Senior Subordinated Note due 2016	\$ 1,350,000	11/12/09
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	109 shs.	11/12/09

### QUALIS AUTOMOTIVE LLC

A distributor of aftermarket automotive brake and chassis products.		
12% Senior Subordinated Note due 2012	\$ 922,612	05/28/04
Common Stock (B)	187,500 shs.	05/28/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	199,969 shs.	05/28/04

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#### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2009

	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE	ACQUISITION DATE

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

### 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 and 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

### 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

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### SAVAGE SPORTS HOLDING, INC.

A manufacturer of sporting firearms.

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

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

### SENCORE HOLDING COMPANY

A designer, manufacturer, and marketer of decoders, receivers and modulators sold to broadcasters operators for encoding/decoding analog and digital transmission video signals.

12.5% Senior Subordinated Note due 2014	\$	934,615		01/15/09
Common Stock (B)				01/15/09
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)			69 shs.	
				149 shs. 01/15/09

### SMART SOURCE HOLDINGS LLC

A short-term computer rental company.

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

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

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		PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE		ACQUISITION DATE
CORPORATE RESTRICTED SECURITIES:(A) (Continued)				
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### SPARTAN FOODS HOLDING COMPANY

A manufacturer of branded pizza crusts and pancakes.

12.5% Senior Subordinated Note due 2017	\$	1,012,500		12/15/09
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)			136 shs.	12/15/09

### SPECIALTY COMMODITIES, INC.

A distributor of specialty food ingredients.

13.25% Senior Subordinated Note due 2016	\$	1,208,942		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.

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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)				08/01/06
Warrant, exercisable until 2014, to purchase common stock at \$.02 per share (B)			165 shs.	
			55 shs.	08/01/06

### SYNTERACT HOLDINGS CORPORATION

A provider of outsourced clinical trial management services to pharmaceutical and biotechnology companies.

14% Senior Subordinated Note due 2016	\$	1,368,288		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

### TANGENT RAIL CORPORATION

A manufacturer of rail ties and provider of specialty services to the North American railroad industry.

13% Senior Subordinated Note due 2015	\$	1,173,909		10/14/05
Common Stock (B)			1,167 shs.	10/14/05
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)			631 shs.	09/30/08

### TELECORPS HOLDINGS, INC.

A provider of equipment and services to producers of television shows and motion pictures.

12.75% Senior Subordinated Note due 2016	\$	1,681,677		*
Common Stock (B)			143 shs.	09/02/09
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)			4,187 shs.	*

\* 05/20/09 and 09/02/09.

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		PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP		ACQUISITION DATE
CORPORATE RESTRICTED SECURITIES: (A) (Continued)		PERCENTAGE		DATE
		-----		-----

### TERRA RENEWAL LLC

A provider of wastewater residual management and required environmental reporting, permitting, and record keeping to companies involved in poultry and food processing.

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12% Senior Subordinated Note due 2014	\$	664,062	*
8.79% Term Note due 2012 (C)	\$	782,307	*
7.75% Term Note due 2012 (C)	\$	824	*
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 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

### 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

### TRANSPAC HOLDING COMPANY

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

12% Senior Subordinated Note due 2015 (D)	\$	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.

### 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 2010, to purchase common stock at \$.01 per share (B)		222 shs.	02/05/98

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CONSOLIDATED SCHEDULE OF INVESTMENTS  
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CORPORATE RESTRICTED SECURITIES: (A) (Continued)	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE	ACQUISITION DATE
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<b>TRUCK BODIES &amp; EQUIPMENT INTERNATIONAL</b>		
A designer and manufacturer of accessories for heavy and medium duty trucks, primarily dump bodies, flat-bed bodies, landscape bodies and other accessories.		
16% Senior Subordinated Note due 2010 (D)	\$ 1,222,698	*
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 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	\$ 931,808	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 appliances.		
12.5% Senior Subordinated Note due 2012	\$ 996,500	04/30/04
14.5% PIK Note due 2012	\$ 62,281	10/06/09
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
18% PIK Convertible Preferred Stock (B)	21,361 shs.	03/13/09
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
<b>VITEX PACKAGING GROUP, INC.</b>		
A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags.		
10% Senior Subordinated PIK Note due 2011 (D)	\$ 91,818	07/19/04
5% Senior Subordinated PIK Note due 2011 (D)	\$ 450,000	06/30/07
Class B Unit (B)	406,525 uts	10/29/09
Class C Unit (B)	450,000 uts.	10/29/09
Limited Liability Company Unit Class A (B)	383,011 uts.	*
Limited Liability Company Unit Class B (B)	96,848 uts.	07/19/04

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\* 07/19/04 and 10/29/09.

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 MassMutual Participation Investors

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CORPORATE RESTRICTED SECURITIES: (A) (Continued)	PRINCIPAL AMOUNT, SHARES, UNITS, OR OWNERSHIP PERCENTAGE	ACQUISITION DATE
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WAGGIN' TRAIN HOLDINGS LLC		
A producer of premium quality meat dog treats.		
14% Senior Subordinated Note due 2014	\$ 1,175,084	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.		
14.13% 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 (D)	\$ 1,229,741	09/08/08
Common Stock (B)	150 shs.	09/08/08
TOTAL PRIVATE PLACEMENT INVESTMENTS (E) (F)		



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CORPORATE RESTRICTED SECURITIES:(A) (Continued)	INTEREST RATE	DUE DATE	SHARES OR PRINCIPAL AMOUNT
RULE 144A SECURITIES - 2.77%:(A)			
BONDS -- 2.77%			
ACCO Brands Corporation	10.625%	03/15/15	\$ 45,000
Advanced Micro Devices, Inc.	8.125	12/15/17	190,000
Appleton Papers, Inc.	11.250	12/15/15	252,500
Cenveo Corporation	10.500	08/15/16	45,000
Compucom Systems, Inc.	12.500	10/01/15	670,000
Douglas Dynamics LLC (F)	7.750	01/15/12	485,000
G F S I, Inc. (C)	10.500	06/01/11	358,000
Gannett Company, Inc.	9.375	11/15/17	60,000
H C A, Inc.	9.875	02/15/17	15,000
Headwaters, Inc.	11.375	11/01/14	45,000
JohnsonDiversey, Inc.	8.250	11/15/19	45,000
MGM Mirage, Inc.	10.375	05/15/14	30,000
MGM Mirage, Inc.	11.125	11/15/17	50,000
Sealed Air Corporation	7.875	06/15/17	500,000
Sinclair Television Group, Inc.	9.250	11/01/17	200,000
Viasystems, Inc.	12.000	01/15/15	100,000
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%			
Nortek, Inc.			100
Touchstone Health Partnership (B)			292
TOTAL COMMON STOCK			
TOTAL RULE 144A SECURITIES			
TOTAL CORPORATE RESTRICTED SECURITIES			

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CORPORATE PUBLIC SECURITIES -- 11.87%:(A)	INTEREST RATE	DUE DATE	PRINCIPAL AMOUNT
-----			
BONDS -- 10.90%			
Affinia Group, Inc.	9.000%	11/30/14	\$ 25,000
Allegheny Technologies, Inc.	9.375	06/12/19	500,000
Allied Waste NA	7.125	05/15/16	500,000
C R H America, Inc.	5.300	10/15/13	500,000
Citigroup, Inc.	5.500	04/11/13	500,000
Cytec Industries, Inc.	8.950	07/01/17	600,000
Denbury Resources, Inc.	9.750	03/01/16	25,000
Gencorp, Inc.	9.500	08/15/13	130,000
Goldman Sachs Group, Inc.	4.750	07/15/13	500,000
Goodyear Tire & Rubber Co.	10.500	05/15/16	50,000
Inergy LP	8.250	03/01/16	75,000
Intelsat Bermuda Ltd.	9.250	06/15/16	690,000
International Game Technology	7.500	06/15/19	500,000
Iron Mountain, Inc.	8.750	07/15/18	500,000
Johnson Controls, Inc.	5.500	01/15/16	500,000
Lubrizol Corporation	8.875	02/01/19	500,000
Manitowoc Company, Inc.	7.125	11/01/13	100,000
Markwest Energy Operating Co.	6.875	11/01/14	35,000
Navistar International Corporation	8.250	11/01/21	310,000
Nortek, Inc.	11.000	12/01/13	100,000
Owens Corning, Inc.	9.000	06/15/19	30,000
Rental Service Corporation	9.500	12/01/14	175,000
Sheridan Acquisition Corporation	10.250	08/15/11	225,000
Speedway Motorsports, Inc.	8.750	06/01/16	35,000
Stewart & Stevenson LLC	10.000	07/15/14	735,000
Teck Resources Ltd.	10.750	05/15/19	30,000
Texas Industries, Inc.	7.250	07/15/13	35,000
The Valspar Corporation	7.250	06/15/19	500,000
Ticketmaster Entertainment, Inc.	10.750	07/28/16	250,000
Titan International, Inc.	8.000	01/15/12	70,000
Tube City IMS Corporation	9.750	02/01/15	1,000,000
Tyco International Group SA	8.500	01/15/19	125,000
Tyco International Group SA	6.550	10/01/17	500,000
United Components, Inc.	9.375	06/15/13	535,000
W P P Finance Corporation	5.875	06/15/14	500,000
TOTAL BONDS			

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CORPORATE PUBLIC SECURITIES: (A) CONTINUED	INTEREST RATE	DUE DATE	SHARES OR PRINCIPAL AMOUNT
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COMMON STOCK -- 0.51%			
CKX, Inc. (B)			52,500
Directed Electronics, Inc. (B)			195,118
ITC^DeltaCom, Inc. (B)			94,588
Intrepid Potash, Inc. (B)			185
Rue21, Inc. (B)			350
TOTAL COMMON STOCK			
CONVERTIBLE BONDS - 0.46%			
Citadel Broadcasting Corporation	4.000%	02/15/11	\$ 250,000
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
	-----	-----	-----
COMMERCIAL PAPER -- 6.90%			
Avery Dennison Corporation	0.150%	01/04/10	\$ 2,250,000
BMW US Capital LLC	0.300	01/12/10	2,152,000
Elsevier Finance SA	0.250	01/12/10	1,620,000
Precision Castparts Corporation	0.200	01/04/10	1,500,000
TOTAL SHORT-TERM SECURITIES			
TOTAL INVESTMENTS	109.47%		
	-----		
Other Assets	4.45		
Liabilities	(13.92)		
	-----		
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 12/31/09.
- (D) Defaulted security; interest not accrued.
- (E) Illiquid securities. At December 31, 2009, the values of these securities amounted to \$95,781
- ^ Effective yield at purchase
- PIK -- Payment-in-kind

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Industry Classification	Fair Value/ Market Value	Industry Classification
<b>AEROSPACE - 5.68%</b>		
A E Company, Inc.	\$ 1,788,582	CONSUMER PRODUCTS - 8.53%
Gencorp, Inc.	130,325	Aero Holdings, Inc.
P A S Holdco LLC	1,923,996	Bravo Sports Holding Corporation
Precision Castparts Corporation	1,499,975	Custom Engineered Wheels, Inc.
Visioneering, Inc.	843,555	G F S I, Inc.
	-----	JohnsonDiversey, Inc.
	6,186,433	K N B Holdings Corporation
	-----	Momentum Holding Co.
<b>AUTOMOBILE - 6.31%</b>		
BMW US Capital LLC	2,151,803	R A J Manufacturing Holding Corporation
Goodyear Tire & Rubber Co.	55,250	Royal Baths Manufacturing Company
Jason, Inc.	127,547	The Tranzonic Companies
Johnson Controls, Inc.	508,537	Walls Industries, Inc.
Nyloncraft, Inc.	348,215	
Ontario Drive & Gear Ltd.	221,212	<b>CONTAINERS, PACKAGING &amp; GLASS</b>
Qualis Automotive LLC	1,188,236	Flutes, Inc.
Titan International, Inc.	68,600	Maverick Acquisition Corporation
Transtar Holding Company	1,691,942	P I I Holding Corporation
United Components, Inc.	516,275	Paradigm Packaging, Inc.
	-----	Sealed Air Corporation
	6,877,617	Vitex Packaging Group, Inc.
	-----	
<b>BEVERAGE, DRUG &amp; FOOD - 4.06%</b>		
Golden County Foods Holding, Inc.	965,505	<b>DISTRIBUTION - 1.95%</b>
Hospitality Mints Holding Company	1,112,969	Duncan Systems, Inc.
L H D Europe Holding, Inc.	12,825	F C X Holdings Corporation
Spartan Foods Holding Company	1,008,970	
Specialty Commodities, Inc.	1,324,988	
	-----	
	4,425,257	<b>DIVERSIFIED/CONGLOMERATE, MANUFACTURING</b>
	-----	A H C Holdings Company, Inc.
<b>BROADCASTING &amp; ENTERTAINMENT - 1.49%</b>		
Citadel Broadcasting Corporation	16,250	Arrow Tru-Line Holdings, Inc.
CKX, Inc.	276,675	C D N T, Inc.
Sinclair Television Group, Inc.	208,000	Douglas Dynamics LLC
Speedway Motorsports, Inc.	36,925	Headwaters, Inc.
WPP Finance Corporation	516,352	K P I Holdings, Inc.
Workplace Media Holding Co.	565,717	MEGTEC Holdings, Inc.
	-----	Milwaukee Gear Company
	1,619,919	Nortek, Inc.
	-----	Northwest Mailing Services, Inc.
<b>BUILDINGS &amp; REAL ESTATE - 1.18%</b>		
K W P I Holdings Corporation	1,139,464	Postle Aluminum Company LLC
Owens Corning, Inc.	33,600	Truck Bodies & Equipment Inc.
Texas Industries, Inc.	34,387	Xaloy Superior Holdings, Inc.
TruStile Doors, Inc.	80,083	
	-----	
	1,287,534	
	-----	
<b>CHEMICAL, PLASTICS &amp; RUBBER - 0.37%</b>		
Capital Specialty Plastics, Inc.	397,832	
	-----	
	397,832	
	-----	

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2009

Industry Classification	Fair Value/ Market Value	Industry Classification
<hr/>		
DIVERSIFIED/CONGLOMERATE, SERVICE - 12.02%		HOME & OFFICE FURNISHINGS,
ACCO Brands Corporation	\$ 49,388	CONSUMER PRODUCTS - 11.55%
A S C Group, Inc.	1,352,657	Avery Dennison Corporation
A W X Holdings Corporation	771,236	Connor Sport Court Internat
Advanced Technologies Holdings	1,377,812	H M Holding Company
Affinia Group, Inc.	24,250	Home Decor Holding Company
Apex Analytix Holding Corporation	1,042,898	Justrite Manufacturing Acqui
C R H America, Inc.	521,090	K H O F Holdings, Inc.
Clough, Harbour and Associates	1,435,310	Monessen Holding Corporatio
Crane Rental Corporation	1,370,150	Stanton Carpet Holding Co.
Diversco, Inc./DHI Holdings, Inc.	821,850	Transpac Holdings Company
Dwyer Group, Inc.	797,600	U M A Enterprises, Inc.
Insurance Claims Management, Inc.	105,804	U-Line Corporation
Iron Mountain, Inc.	518,750	Wellborn Forest Holding Co.
Mail Communications Group, Inc.	716,146	
Nesco Holdings Corporation	1,518,840	
Pearlman Enterprises, Inc.	--	
Tyco International Group	668,545	LEISURE, AMUSEMENT, ENTERTA
	-----	International Game Technolo
	13,092,326	MGM Mirage, Inc.
	-----	Savage Sports Holding, Inc.
ELECTRONICS - 0.66%		Ticketmaster Entertainment,
Connecticut Electric, Inc.	633,694	
Directed Electronics, Inc. (B)	90,730	
	-----	
	724,424	MACHINERY - 9.64%
	-----	A S A P Industries LLC
FARMING & AGRICULTURE - 1.58%		Davis-Standard LLC
Waggin' Train Holdings LLC	1,718,143	E S P Holdco, Inc.
	-----	K-Tek Holdings Corporation
	1,718,143	M V I Holding, Inc.
	-----	Manitowoc Company, Inc.
FINANCIAL SERVICES - 0.96%		Navis Global
Citigroup, Inc.	518,382	NetShape Technologies, Inc.
Goldman Sachs Group, Inc.	523,118	Pacific Consolidated Holdin
Highgate Capital LLC	--	Power Services Holding Comp
	-----	R E I Delaware Holding, Inc
	1,041,500	Safety Speed Cut Manufactur
	-----	Stewart & Stevenson LLC
HEALTHCARE, EDUCATION & CHILDCARE - 3.81%		
American Hospice Management Holding LLC	2,082,778	
F H S Holdings LLC	632,813	MEDICAL DEVICES/BIOTECH - 4
H C A, Inc.	16,537	Coeur, Inc.
Synteract Holdings Corporation	1,415,158	E X C Acquisition Corporati
Touchstone Health Partnership	--	ETEX Corporation
	-----	MedSystems Holdings LLC
	4,147,286	MicroGroup, Inc.
	-----	

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OakRiver Technology, Inc.  
 Precision Wire Holding Comp  
 TherOX, Inc.

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
 December 31, 2009

Industry Classification	Fair Value/ Market Value	Industry Classification
<hr/>		
MINING, STEEL, IRON & NON PRECIOUS METALS - 2.64%		TELECOMMUNICATIONS - 2.94%
Allegheny Technology, Inc.	\$ 575,527	All Current Holding Company
T H I Acquisition, Inc.	1,299,141	Intelsat Bermuda Ltd.
Teck Resources, Ltd.	35,850	ITC^DeltaCom, Inc.
Tube City IMS Corporation	966,250	Telecorps Holdings, Inc.
	-----	
	2,876,768	
	-----	
NATURAL RESOURCES - 1.96%		TRANSPORTATION - 2.40%
Appleton Papers, Inc.	213,255	NABCO, Inc.
Cenveo Corporation	46,125	Navistar International Corp
Cytec Industries, Inc.	712,936	Tangent Rail Corporation
Intrepid Potash, Inc.	5,396	
Lubrizol Corporation	621,642	
The Valspar Corporation	541,796	
	-----	UTILITIES - 0.10%
	2,141,150	Inergy LP
	-----	Markwest Energy Operating C
OIL & GAS - 2.32%		
Denbury Resources, Inc.	26,688	
International Offshore Services LLC	1,390,516	
Total E & S, Inc.	633,149	WASTE MANAGEMENT / POLLUTIO
Transocean, Inc.	481,250	Allied Waste NA
	-----	Terra Renewal LLC
	2,531,603	Torrent Group Holdings, Inc
	-----	
PHARMACEUTICALS - 1.34%		
CorePharma LLC	1,463,817	
	-----	
	1,463,817	
	-----	
PUBLISHING/PRINTING - 1.74%		
Elsevier Finance SA	1,619,876	
Gannett Company, Inc.	61,950	
Sheridan Acquisition Corporation	210,094	
	-----	
	1,891,920	
	-----	
RETAIL STORES - 0.27%		
Olympic Sales, Inc.	113,273	
Rental Service Corporation	175,218	
Rue21, Inc.	9,832	

TOTAL INVESTMENTS -- 109.47

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	----- 298,323 -----
TECHNOLOGY - 2.92%	
Advanced Micro Devices, Inc.	189,050
Compucom Systems, Inc.	681,725
Sencore Holding Company	869,848
Smart Source Holdings LLC	1,330,286
Viasystems, Inc.	107,000
	----- 3,177,909 -----

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## MASSMUTUAL PARTICIPATION INVESTORS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009

#### 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 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

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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. 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 existence of merger proposals or tender offers affecting

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### MASSMUTUAL PARTICIPATION INVESTORS

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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.

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 determining 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



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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 \$95,781,804 (87.93% of net assets) as of December 31, 2009 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, 2009, 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.

In accordance with the authoritative guidance on fair value measurements and disclosures under accounting principles generally accepted in the United States of America ("U.S. GAAP"), the Trust discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

- 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 in determining 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, 2009:

Assets	Total	Level 1	Level 2	Level 3
Restricted Securities	\$ 98,792,974	\$ --	\$ 2,555,270	\$ 96,237,704
Public Securities	12,927,461	557,621	12,369,840	--
Short-term Securities	7,521,626	--	7,521,626	--
<b>Total</b>	<b>\$119,242,061</b>	<b>\$ 557,621</b>	<b>\$22,446,736</b>	<b>\$ 96,237,704</b>

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

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### MASSMUTUAL PARTICIPATION INVESTORS

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009

ASSETS:	RESTRICTED SECURITIES	PUBLIC SECURITIES	SHORT-TERM SECURITIES	TOTAL
<hr/>				
Beginning balance at 12/31/2008	\$97,424,749	\$ --	\$ --	\$97,424,749
Total gains or losses (realized/unrealized) included in earnings*	(8,418,728)	--	--	(8,418,728)
Purchases, sales, issuances & settlements (net)	7,231,683	--	--	7,231,683
Transfers in and/or out of Level 3	--	--	--	--
<hr/>				
ENDING BALANCE AT 12/31/2009	\$96,237,704	\$ --	\$ --	\$96,237,704
<hr/>				

\* 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 12/31/09 is \$(11,640,462).

#### 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 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

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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, 2009, 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 nonqualified 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 reclassifications to the capital accounts. In 2009, the Trust increased undistributed net investment income and decreased additional paid in capital by a total of \$70,187 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.

The MMPI Subsidiary Trust is not taxed as a regulated investment company. Accordingly, prior to the Trust receiving any distributions from the MMPI Subsidiary

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### MASSMUTUAL PARTICIPATION INVESTORS

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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, 2009, the MMPI Subsidiary Trust has accrued income tax expense of \$9,792.

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, 2009, the MMPI Subsidiary Trust has a deferred tax liability of \$84,963.

Beginning with the 2009 annual financial statements, the Trust recognizes a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. If this threshold is met, the Trust measures the tax benefit as the largest amount of benefit that is

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greater than fifty percent likely of being realized upon ultimate settlement. The Trust has evaluated and determined that the tax positions did not have a material effect on the Trust's financial position and results of operations for the year ended December 31, 2009.

### 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, 2009, the components of distributable earnings on a tax basis included \$1,369,469 of undistributed ordinary income. 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 \$170,088 which is comprised of various timing differences.

The tax character of distributions declared during the years ended December 31, 2009 and 2008 was as follows:

Distributions paid from:	2009	2008
	-----	-----
Ordinary Income	\$ 9,955,268	\$ 9,915,143

### 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, 2009, 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.

### 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, approved the valuation of the Trust's net assets as of such day.

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## MASSMUTUAL PARTICIPATION INVESTORS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2009

### 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, 2009, 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.

### 5. PURCHASES AND SALES OF INVESTMENTS

FOR THE YEAR ENDED 12/31/2009	COST OF INVESTMENTS ACQUIRED
Corporate restricted securities	\$ 20,050,504
Corporate public securities	7,019,336
	-----
	PROCEEDS FROM SALES OR MATURITIES
Corporate restricted securities	\$ 15,449,373
Corporate public securities	14,962,626
	-----

The aggregate cost of investments is substantially the same for financial reporting and federal income tax purposes as of December 31, 2009. The net unrealized depreciation of investments for financial reporting and federal tax purposes as of December 31, 2009 is \$18,601,296 and consists of \$9,779,615 appreciation and \$28,380,911 depreciation.

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

	Amount	Per Share
MARCH 31, 2009		
		-----
Investment income	\$ 3,196,335	
Net investment income	2,655,746	\$ 0.27
Net realized and unrealized loss on investments (net of taxes)	(7,386,587)	(0.75)
		-----
JUNE 30, 2009		

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Investment income	\$ 2,895,878	
Net investment income	2,319,080	\$ 0.23
Net realized and unrealized gain on investments (net of taxes)	4,384,624	0.45
-----		
SEPTEMBER 30, 2009		
-----		
Investment income	\$ 2,979,401	
Net investment income	2,431,337	\$ 0.24
Net realized and unrealized gain on investments (net of taxes)	1,812,725	0.18
-----		
DECEMBER 31, 2009		
-----		
Investment income	\$ 2,542,104	
Net investment income	1,969,365	\$ 0.20
Net realized and unrealized loss on investments (net of taxes)	(98,065)	(0.01)
-----		

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### MASSMUTUAL PARTICIPATION INVESTORS

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009

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

For the year ended December 31, 2009, the Trust paid its Trustees aggregate remuneration of \$156,000. 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. Noreen 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, 2009, Babson Capital paid the compensation of the Chief Compliance Officer of the Trust.

Mr. Noreen, 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 December 31, 2009, other than amounts payable to Babson Capital pursuant to the Contract.

#### 8. SUBSEQUENT EVENTS

The Trust has evaluated the possibility of subsequent events existing in this report through February 17, 2010. The Trust has determined that there are no material events that would require recognition or disclosure in this report through this date.

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## 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, 2009, 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, 2009 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 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, 2009, the results of its operations and cash flows for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Boston, Massachusetts  
February 17, 2010

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### 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
CLIFFORD M. NOREEN* (52)  MassMutual Participation Investors	Trustee (since 2009)	Term expires 2012	President (since 2008), Vice Chairman (2007-2008), Member of the Board of Managers (since 2006),	2

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

Chairman  
(since 2009)

Managing Director (since  
2000), Babson Capital;  
President (2005-2009), Vice  
President (1993-2005) of  
the Trust.

\* Mr. Noreen is classified as an "interested person" of each Trust and Babson Capital (as defined by the Investment Act of 1940, as amended) because of his position as an officer of each Trust and President of Babson Capital.

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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* (65)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 2003)	Term expires 2010	President (2001-2003) of Babson Capital.	57



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

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MASSMUTUAL PARTICIPATION INVESTORS

INDEPENDENT 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 (70)  MassMutual Participation Investors 1500 Main Street Suite 600, P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 2006)	Term expires 2012	President (since 2002), Barrett-Gardner Associates, Inc.	2

DONALD E. BENSON (79)	Trustee	Term expires	Executive Vice President	2
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MassMutual  
 Participation Investors  
 1500 Main Street  
 P.O. Box 15189  
 Springfield, MA 01115-5189

(since 1988) 2010

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).

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MASSMUTUAL PARTICIPATION INVESTORS

INDEPENDENT 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
MICHAEL H. BROWN (53) MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 2005)	Term expires 2011	Private Investor; and Managing Director (1994- 2005), Morgan Stanley.	2
DONALD GLICKMAN (76) MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 1992)	Term expires 2010	Chairman (since 1992), Donald Glickman and Company, Inc. (private investments); and Partner (since 1992), J.F. Lehman & Co. (private investments).	2

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MASSMUTUAL PARTICIPATION INVESTORS

INDEPENDENT TRUSTEES

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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 (74)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 1991)	Term expires 2012	Private Investor; and President and Director (since 1983), H Investment Company LLC (family partnership).	2
CORINE T. NORGAARD (72)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 1998)	Term expires 2011	President and Owner (since 2009), Retirement Options (trains and certifies retirement coaches); President (2004-2005), Thompson Enterprises Real Estate Investment.	34
MALEYNE M. SYRACUSE (53)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Trustee (since 2007)	Term expires 2011	Managing Director (2000- 2007), JP Morgan Securities, Inc. (investments and banking).	2

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MASSMUTUAL PARTICIPATION INVESTORS

OFFICERS OF THE TRUST

PRINCIPAL

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NAME (AGE), ADDRESS	POSITION WITH THE TRUST	OFFICE TERM/LENGTH OF TIME SERVED	OCCUPATIONS DURING PAST 5 YEARS
MICHAEL L. KLOFAS (49)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	President	Since 2009	President (since 2009), Vice Pre Managing Director (since 2000), 2009), Vice President (2005-2009 Subsidiary Trust; President (sin (1998-2009), MassMutual Corporat
PATRICIA J. WALSH (44)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Vice President, Secretary, and Chief Legal Officer	Since 2008	Vice President, Secretary, and C of the Trust; Corporate Vice Pre Counsel (since 2005), MassMutual (since 2008) of Babson Capital; Subsidiary Trust and MMPI Subsid Secretary, and Chief Legal Offic Corporate Investors.
JAMES M. ROY (47)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Vice President and Chief Financial Officer	Since 2005	Vice President and Chief Financi Treasurer (2003-2005), and Assoc Trust; Managing Director (since of Babson Capital; Trustee (sinc and Controller (2003-2005), MMCI Subsidiary Trust; and Vice Presi (since 2005), Treasurer (2003-20 (1999-2003), MassMutual Corporat
JOHN T. DAVITT, JR. (42)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Comptroller	Since 2001	Comptroller (since 2001) of the Babson Capital; Controller (sinc and MMPI Subsidiary Trust; and C MassMutual Corporate Investors.
MELISSA M. LAGRANT (36)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Chief Compliance Officer	Since 2006	Chief Compliance Officer (since Director (since 2005) of Babson Senior Compliance Trading Manage Company, L.P.; Assistant Vice Pr Group (2002-2003), and Assistant Compliance (2001-2002), Zurich S Management; and Chief Compliance Corporate Investors.
DANIEL J. FLORENCE (37)  MassMutual Participation Investors 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Treasurer	Since 2008	Treasurer (since 2008), Associat Trust; Associate Director (since Babson Capital; and Treasurer (s (2006-2008), MassMutual Corporat

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### 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,  
Retirement Options

Clifford M. Noreen  
President,  
Babson Capital Management LLC

Martin T. Hart  
Private Investor

Maleyne M. Syracuse  
Private Investor

\*Member of the Audit Committee

### OFFICERS

Clifford M. Noreen  
Chairman

Michael L. Klofas  
President

James M. Roy  
Vice President & Chief  
Financial Officer

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

Jill A. Fields  
Vice President

### DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

MassMutual Participation Investors offers a Dividend Reinvestment and Cash Purchase 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 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

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Michael P. Hermsen  
Vice President

Mary Wilson Kibbe  
Vice President

Richard E. Spencer, II  
Vice President

Daniel J. Florence  
Treasurer

John T. Davitt, Jr.  
Comptroller

Melissa M. LaGrant  
Chief Compliance Officer

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.

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[LOGO] MassMutual Participation Investors  
2009 Annual Report

PI3848

### 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

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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, 2009	KPMG LLP Year Ended December 31, 2008
Audit Fees	\$ 50,000	\$ 45,700
Audit-Related Fees	0	6,125
Tax Fees	41,950	39,950
All Other Fees	0	0
Total Fees	\$ 91,950	\$ 91,775

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

	KPMG LLP Year Ended December 31, 2009	KPMG LLP Year Ended December 31, 2008
Audit-Related Fees	\$ 874,597	\$ 864,409
Tax Fees	0	0
All Other Fees	350,000	0
Total Fees	\$1,224,597	\$ 864,409

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, and agreed upon procedures reports. Preparation of Federal, state and local income tax returns and tax compliance work are representative of the fees reported in the "Tax Fees" category. The category "All Other Fees" represents fees billed by KPMG for 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 2009, 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 2008 and 2009 for the Registrant and for

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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 2008 fees billed represent final 2008 amounts, which may differ from the preliminary figures available as of the filing date of the Registrant's 2009 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 Registrant's 2009 Annual Form N-CSR, but are now properly included in the 2008 fees billed to the Registrant, 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.

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

The Registrant's Board of Trustees has 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

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Babson Capital views the voting of proxies as an integral part of its investment management responsibility and believes, as a general principle, that proxies should be acted upon (voted or abstained) 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 held in 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,



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if such vote is authorized by the Proxy Voting Policy. The procedures set forth in the Proxy Voting 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"). For purposes of the Proxy Voting Policy, a Material Conflict shall mean any position, relationship or interest, financial or otherwise, of Babson Capital (or any person authorized under the Proxy Voting Policy to vote proxies on behalf of Babson Capital) that would or could reasonably be expected to affect Babson Capital's or such person's independence or judgment concerning how to vote proxies.

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

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Babson Capital has (1) established a Best Execution and Proxy Committee that is responsible for the implementation and governance of the Proxy Voting Policy and (2) designated Proxy Administrators who will receive and post proxies for voting with ISS. In accordance with the Proxy Voting Policy, Babson Capital will generally vote all client proxies for which it has proxy voting discretion in accordance with ISS's recommendation or proxy voting guidelines, unless (i) a person authorized by the Best Execution and Proxy Committee (each a "Proxy Analyst") determines that it is in the clients' best interest to vote against ISS's recommendation or proxy voting guidelines or (ii) Babson Capital is unable or determines not to vote a proxy in accordance with the Proxy Voting Policy. In these cases: if (i) a Proxy Analyst recommends that a proxy should be voted against ISS's recommendation or guidelines, (ii) no other Proxy Analyst reviewing such proxy disagrees with such recommendation, and (iii) no known Material Conflict is identified by the Proxy Analyst(s) or the Proxy Administrator, the Proxy Administrator will vote the proxy or post the proxy for voting in accordance with the Proxy Analyst's recommendation. Otherwise, the proxy is to be submitted to a member of the Best Execution and 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 Best Execution and Proxy Committee member has identified a Material Conflict personal to him or herself or a Babson Capital Material Conflict. In such cases, the proxy shall be submitted to the Best Execution and Proxy Committee, which may authorize a vote against ISS's recommendation or proxy voting guidelines only if the Best Execution and Proxy Committee determines that such vote is in the clients' best interests.

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

### Obtaining a Copy of the Policy

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Clients may obtain a copy of the Proxy Voting Policy and information about how Babson Capital voted proxies related to their securities, free of charge, by contacting the Chief Compliance Officer, Babson

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Capital Management LLC, Independence Wharf, 470 Atlantic Avenue, Boston, MA 02210, or calling, toll free, 1-877-766-0014.

### 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.** Michael L. Klofas serves as the President of the Registrant (since 2009) and as one of its Portfolio Managers. Mr. Klofas began his service to the Registrant in 1998 as a Vice President. With over 25 years of industry experience, Mr. Klofas is a Managing Director of the Mezzanine and Private Equity Group of Babson Capital Management LLC ("Babson Capital"). Mr. Klofas joined MassMutual in 1988. 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 and private bonds, and leveraged bank loans. He also spent three years leading Babson Capital's workout and restructuring activities. Since 1992, 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 Chartered Financial Analyst and Certified Public Accountant designations. Mr. Klofas also presently serves as President of MassMutual Corporate Investors, another closed-end management investment company advised by Babson Capital.

**PORTFOLIO MANAGEMENT TEAM.** Mr. Klofas 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 and Richard E. Spencer, II are each a Vice President of the Registrant and a Managing Director of Babson Capital. Together with Mr. Klofas, they are responsible for managing Babson Capital's Mezzanine and Private Equity Group 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 Registrant since 1998. 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 1992, 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, as well as a Chartered Financial Analyst 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 the Registrant since 2002. 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

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has focused on originating, analyzing, structuring and documenting 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, as well as a Chartered Financial Analyst designation.

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	NUMBER OF ACCOUNTS WITH APPROXIMATE TOTAL ASSET SIZE (A)	APPROXIMATE ASSET SIZE OF PERFORMANCE-BASED ADVISORY FEE	PERFORMANCE-BASED ADVISORY FEE
Clifford M. Noreen (B)	Registered Investment Companies	1	\$214.4 million	0	N/A
	Other Pooled Investment Vehicles	1	\$16.1 million	1	\$16.1 million
	Other Accounts	0	N/A	0	N/A
Jill A. Fields	Registered Investment Companies	3	\$675 million	0	N/A
	Other Pooled Investment Vehicles	1	\$74.7 million	1	\$74.7 million
	Other Accounts (C)	5	\$534.5 million	0	N/A
Michael P. Hermsen	Registered Investment Companies	1	\$214.4 million	0	N/A
	Other Pooled Investment Vehicles (D)	5	\$992 million	5	\$992 million
	Other Accounts	0	N/A	0	N/A
Michael L. Klofas	Registered Investment Companies	1	\$214.4 million	0	N/A
	Other Pooled Investment Vehicles (D)	5	\$992 million	5	\$992 million

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	Other Accounts	0	N/A	0	N/A
Richard E. Spencer, II	Registered Investment Companies	1	\$214.4 million	0	N/A
	Other Pooled Investment Vehicles (D)	5	\$992 million	5	\$992 million
	Other Accounts	0	N/A	0	N/A

- (A) Account asset size has been calculated as of December 31, 2009.
- (B) Mr. Noreen, as 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 and C.M. Life Insurance Company; however these assets are not represented in the table above.
- (D) Messrs. Hermsen, Klofas and Spencer manage private placement mezzanine debt securities for the general investment account of Massachusetts Mutual Life Insurance Company and C.M. Life Insurance Company; however these assets are not represented in the table above.

**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 advisory accounts. These conflicts may be heightened to the extent the individual, Babson Capital and/or an affiliate has an investment in one or more of such accounts or an interest in the performance of one or more 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.

Babson Capital or its affiliates, including MassMutual and its affiliates, may from time to time, acting as principal, buy securities or other investments for itself from or sell securities or other investments it owns to its advisory clients. Likewise, Babson Capital may either directly or on behalf of MassMutual, purchase and/or hold securities or other investments that are subsequently sold or transferred to advisory clients. Babson Capital has a conflict of interest in connection with a transaction where it or an affiliate is acting as principal since it may have an incentive to favor itself or its affiliates over its advisory clients in connection with the transaction. To address these conflicts of interest, Babson Capital has adopted certain policies and procedures, including but not limited to policies and procedures on transactions with affiliates. Any such transaction will be consistent with Babson Capital's fiduciary obligation to act in the best interests of its clients, including its ability to obtain best execution in connection with the transaction, and will be in compliance with applicable legal and regulatory requirements.

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Babson Capital may effect cross-trades on behalf of its advisory clients whereby one advisory client buys securities or other investments from or sells securities or other investments to another advisory client. Babson Capital may also effect cross-transactions involving advisory accounts or funds in which it or its affiliates, including MassMutual, and their respective employees, have an ownership interest or for which Babson Capital is entitled to earn a performance or incentive fee. As a result, Babson Capital has a conflict of interest in connection with the cross-transaction since it may have an incentive to favor the advisory client or fund in which it or its affiliate has an ownership interest and/or is entitled to a performance or incentive fee. To address these conflicts of interest, Babson Capital has adopted certain policies and procedures, including but not limited to policies and procedures on transactions with affiliates. Any such cross-transaction will be consistent with Babson Capital's fiduciary obligation to act in the best interests of each of its advisory clients, including its ability to obtain best execution for each advisory client in connection with the cross-trade transaction, and will be in compliance with applicable legal and regulatory requirements. Babson Capital will not receive a commission or any other remuneration (other than its advisory fee) for effecting cross-transactions between advisory clients.

Babson Capital may invest client assets in securities or other investments that are also held by (i) Babson Capital or its affiliates, including MassMutual, (ii) other Babson Capital advisory accounts, (iii) funds or accounts in which Babson Capital or its affiliates or their respective employees have an ownership or economic interest or (iv) employees of Babson Capital or its affiliates. Babson Capital may also, on behalf of its advisory clients, invest in the same or different securities or instruments of issuers in which (i) Babson Capital or its affiliates, including MassMutual, (ii) other Babson Capital advisory accounts, (iii) funds or accounts in which Babson Capital, its affiliates, or their respective employees have an ownership or economic interest or (iv) employees of Babson Capital or its affiliates, have an ownership interest as a holder of the debt, equity or other instruments of the issuer. Babson Capital has a conflict of interest in connection with any such transaction since

investments by its advisory clients may directly or indirectly benefit Babson Capital and/or its affiliates and employees by potentially increasing the value of the securities or instruments it holds in the issuer. Any investment by Babson Capital on behalf of its advisory clients will be consistent with its fiduciary obligations to act in the best interests of its advisory clients, and otherwise be consistent with such clients' investment objectives and restrictions.

Babson Capital or its affiliates may also recommend that clients invest in registered or unregistered investment companies, including private investment funds such as hedge funds, private equity funds or structured funds, (i) advised by Babson Capital or an affiliate, (ii) in which Babson Capital, an affiliate or their respective employees has an ownership or economic interest or (iii) with respect to which Babson Capital or an affiliate has an interest in the entity entitled to receive the fees paid by such funds. Babson Capital has a conflict of interest in connection with any such recommendation since it may have an incentive to base its recommendation to invest in such investment companies or private funds on the fees that Babson Capital or its affiliates would earn as a result of the investment by its advisory clients in the investment companies or private funds. Any recommendation to invest in a Babson Capital advised fund or other

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investment company will be consistent with Babson Capital's fiduciary obligations to act in the best interests of its advisory clients, consistent with such clients' investment objectives and restrictions. Babson Capital may, in certain limited circumstances, offer to clients that invest in private investment funds that it advises an equity interest in entities that receive advisory fees and carried profits interest from such funds.

Babson Capital may permit certain of its portfolio managers and other employees to invest in private investment funds advised by Babson Capital or its affiliates and/or share in the performance or incentive fees received by Babson Capital from such funds. If the portfolio manager or other employee was responsible for both the portfolio management of the private fund and other Babson Capital advisory accounts, such person would have a conflict of interest in connection with investment decisions since the person may have an incentive to direct the best investment ideas, or to allocate trades, in favor of the fund in which he or she is invested or otherwise entitled to share in the performance or incentive fees received from such fund. To address these conflicts of interest, Babson Capital has adopted a policy governing side by side management of private investment funds and other advisory accounts, which policy requires, among others things, that Babson Capital treat each of its advisory clients in a manner consistent with its fiduciary obligations and prohibits Babson Capital from favoring any particular advisory account as a result of the ownership or economic interests of Babson Capital, its affiliates or employees, in such advisory account. Any investment by a Babson Capital employee in one of its private funds is also governed by Babson Capital's employee co-investment policy.

As noted above, Babson Capital's portfolio managers are often responsible for the day-to-day management of multiple accounts, including, among others, separate accounts for institutional clients, closed-end and open-end registered investment companies, and/or private investment funds (such as hedge funds, private equity funds, and structured funds), as well as for proprietary accounts of Babson Capital and its affiliates, including MassMutual and its affiliates. The potential for material conflicts of interest exist whenever a portfolio manager has responsibility for the day-to-day management of multiple advisory accounts. These conflicts may be heightened to the extent a portfolio manager is responsible for managing a proprietary account for Babson Capital or its affiliates or where the portfolio manager, Babson Capital and/or an affiliate has an investment in one or more of such accounts or an interest in the performance of one or more of such accounts (e.g., through the receipt of a performance or incentive fee).

Such potential conflicts include those relating to allocation of investment opportunities. For example, it is possible that an investment opportunity may be suitable for more than one account managed by Babson Capital, but may not be available in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. A conflict arises where the portfolio manager has an incentive to treat an account preferentially because the account pays Babson Capital or its affiliates a performance-based fee or the portfolio manager, Babson Capital or an affiliate has an ownership or other economic interest in the account. As noted above, Babson Capital also acts as an investment manager for certain of its affiliates, including MassMutual. These affiliate accounts co-invest jointly and concurrently with Babson Capital's other advisory clients and therefore share in the allocation

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of such investment opportunities. To address these conflicts of interest associated with the allocation of trading and investment opportunities, Babson Capital has adopted an investment allocation policy and trade allocation procedures that govern the allocation of portfolio transactions and investment opportunities across multiple advisory accounts, including affiliated accounts. In addition, as noted above, to address these conflicts of interest, Babson Capital has adopted a policy governing side-by-side management of private investment funds and other advisory accounts, which policy requires, among others things, that Babson Capital treat each of its advisory clients in a manner consistent with its fiduciary obligations and prohibits Babson Capital from favoring any particular advisory account as a result of the ownership or economic interests of Babson Capital, its affiliates or employees, in such advisory accounts. Any investment by a Babson Capital employee in one of its private funds is also governed by Babson Capital's employee co-investment policy.

Potential material conflicts of interest may also arise related to the knowledge and timing of an account's trades, investment opportunities and broker selection. Babson Capital and its portfolio managers have information about the size, timing and possible market impact of the trades of each account they manage. It is possible that portfolio managers could use this information for their personal advantage and/or the advantage or disadvantage of various accounts which they manage. For example, a portfolio manager could, or cause a favored account to, "front run" an account's trade or sell short a security for an account immediately prior to another accounts sale of that security. To address these conflicts, Babson Capital has adopted policies and procedures and a Code of Ethics governing employees' personal securities transactions, the use of short sales, and side-by-side management of private investment funds and other advisory accounts.

Potential material conflicts of interest may also arise if a trade error occurs in a client account. A trade error is deemed to occur if there is a deviation by Babson Capital from the applicable standard of care in connection with the placement, execution or settlement of a trade for an advisory account that results in (1) Babson Capital purchasing securities not permitted or authorized by a client's investment advisory agreement or otherwise failing to follow a client's specific investment directives; (2) Babson Capital purchasing or selling the wrong security or the wrong amount of securities on behalf of a client's account; or (3) Babson Capital purchasing or selling securities for, or allocating securities to, the wrong client account. When correcting these errors, conflicts of interest between Babson Capital and its advisory accounts may arise as decisions are made on whether to cancel, reverse or reallocate the erroneous trades. In order to address these conflicts, Babson Capital has adopted policies and procedures governing the resolution of trading errors, and will follow these policies and procedures in order to ensure that trade errors are handled promptly and appropriately and that no client account is harmed by an erroneous trade.

With respect to securities transactions for most of the accounts it manages, Babson Capital determines which broker to use to execute each order, consistent with its fiduciary duty to seek best execution of the transaction. Babson Capital manages certain accounts, however, for clients who limit its discretion with respect to the selection of brokers or direct it to execute such client's transaction through a particular broker. In these cases, trades for such an account in a particular security may be placed separately from, rather than aggregated with, those in the same security for other accounts. Placing

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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 one or more of the other account(s) involved. Babson Capital has policies and procedures that address best execution and directed brokerage arrangements.

Babson Capital and its portfolio managers or employees may have other actual or potential conflicts of interest in managing an advisory account, and the list above is not a complete description of every conflict of interest that could be deemed to exist.

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, Babson Capital 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 Babson Capital 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 portfolio 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, 2009, members of the Portfolio Team beneficially owned the following dollar range of equity securities



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in the Registrant:

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

\* 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

- (a) (3) ANY WRITTEN SOLICITATION TO PURCHASE SECURITIES UNDER RULE 23c-1

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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  
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By: /s/ Michael L. Klofas  
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Michael L. Klofas, President  
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Date: March 8, 2010  
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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/ Michael L. Klofas  
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Michael L. Klofas, President  
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Date: March 8, 2010  
-----  
By: /s/ James M. Roy  
-----  
James M. Roy, Vice President and  
Chief Financial Officer  
-----  
Date: March 8, 2010  
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