

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

MASSMUTUAL PARTICIPATION INVESTORS  
Form N-CSR  
March 10, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

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

MassMutual Participation Investors  
-----

(Exact name of registrant as specified in charter)

1500 Main Street, Suite 600, Springfield, MA 01115  
-----

(Address of principal executive offices)

(Zip code)

Stephen L. Kuhn, Vice President and Secretary  
1500 Main Street, Suite 2800, Springfield, MA 01115  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: 413-226-1000  
-----

Date of fiscal year end: 12/31  
-----

Date of reporting period: 12/31/05  
-----

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, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORT TO STOCKHOLDERS.

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

=====

2005 Annual Report

[LOGO]

MassMutual Participation Investors

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MassMutual Participation Investors

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

ADVISER  
Babson Capital Management LLC  
1500 Main Street  
Springfield, Massachusetts 01115

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

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

-----  
MPV  
Listed  
NYSE  
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### PROXY VOTING POLICIES & PROCEDURES; PROXY VOTING RECORD

The Trustees of MassMutual Participation Investors have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital Management LLC. A description of Babson Capital's proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 866-399-1516; (2) on MassMutual Participation Investors' website: <http://www.babsoncapital.com/mpv>; and (3) on the U.S. Securities and Exchange Commission ("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 is available (1) on MassMutual Participation Investors' website: <http://www.babsoncapital.com/mpv>; and (2) on the SEC's website at <http://www.sec.gov>.

### FORM N-Q

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

### MASSMUTUAL PARTICIPATION INVESTORS

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

MassMutual Participation Investors

### 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 corporate debt obligations purchased directly from their issuers, which tend to be smaller companies. At least half of these

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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. 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 21, 2006 at 1:00 P.M. in Springfield, Massachusetts.

-----  
Portfolio Composition as of 12/31/05\*  
-----

[PIE CHART APPEARS HERE]

Private/Restricted  
Equity 14%

Cash & Short Term  
Investments 13%

Public Investment  
Grade Debt 1%

Public High  
Yield Debt 28%

Public Equity 3%

Private High  
Yield Debt 40%

Private Investment  
Grade Debt 1%

\*BASED ON VALUE OF TOTAL INVESTMENTS

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MassMutual Participation Investors

To Our Shareholders

As the Trust announced in July, Stuart H. Reese stepped down as a Trustee and Chairman of the Board of Trustees as a result of his new position as President and CEO of Massachusetts Mutual Life Insurance Company ("MassMutual"). Roger W. Crandall, the Trust's former President, was appointed as a Trustee and elected

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to replace Mr. Reese as Chairman of the Board of Trustees. Additionally, I was elected to succeed Mr. Crandall as President of the Trust.

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2005.

We cordially invite all shareholders to attend the MassMutual Participation Investors Annual Meeting of Shareholders, which will be held on April 21, 2006 at 1:00 P.M. in Springfield, Massachusetts.

[PHOTO OF PRESIDENT AND CHAIRMAN APPEARS HERE]

LEFT TO RIGHT:  
Clifford M. Noreen  
PRESIDENT

Roger W. Crandall  
CHAIRMAN

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### MassMutual Participation Investors

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Total Annual Portfolio Return (as of 12/31 each year)\*  
-----

[BAR CHART APPEARS HERE]

| MassMutual Participation Investors (Based on change in the net asset value with reinvested dividends) | Standard & Poor's Industrials Composite (Formerly called the Standard & Poor's Industrial Price Index) | Lehman Brothers Intermediate U.S. Credit Index (Formerly called the Lehman Brothers Intermediate Corporate Bond Index) |
|---|--|--|
| 2005 22.51%   | 2005 3.98%   | 2005 1.42  |
| 2004 25.14%   | 2004 10.20%  | 2004 4.08  |
| 2003 23.72%   | 2003 28.34%  | 2003 6.91  |
| 2002 5.70%  | 2002 -23.51%   | 2002 10.14   |
| 2001 3.41%  | 2001 -11.67%   | 2001 9.77  |
| 2000 8.11%  | 2000 -16.26%   | 2000 9.46  |
| 1999 4.77%  | 1999 25.89%  | 1999 0.16  |
| 1998 10.91%   | 1998 33.77%  | 1998 8.29  |
| 1997 24.10%   | 1997 31.04%  | 1997 8.36  |
| 1996 14.60%   | 1996 23.03%  | 1996 3.97  |

\*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 WHICH DIFFERS FROM THE TOTAL INVESTMENT RETURN BASED ON MARKET VALUE 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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[PHOTO OF OFFICERS APPEARS HERE]

LEFT TO RIGHT:

James M. Roy  
VICE PRESIDENT &  
CHIEF FINANCIAL  
OFFICER

Stephen L. Kuhn  
VICE PRESIDENT,  
SECRETARY &  
CHIEF LEGAL OFFICER

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MassMutual Participation Investors

## THE TRUST'S 2005 PORTFOLIO PERFORMANCE

The Trust's total portfolio rate of return for 2005 was 22.51%, as measured by the change in net asset value, assuming the reinvestment of all dividends and distributions. The Trust's total net assets were \$119,018,966, or \$12.21 per share, as of December 31, 2005, compared to \$107,610,007, or \$11.13 per share, as of December 31, 2004. The Trust paid a quarterly dividend of 24 cents per share each quarter in 2005, with the fourth quarter dividend paid in January 2006. In addition, the Trust declared a special year-end dividend of 5 cents per share paid in January 2006 to shareholders of record on December 30, 2005, bringing total dividends for the year to \$1.01. All in all, we are very pleased with the Trust's 2005 portfolio performance.

The table shown below lists the average annual net returns of the Trust's portfolio, based on the change in net assets, assuming the reinvestment of all dividends and distributions, compared to the average annual returns of selected equity and fixed income market indices for the 1, 3, 5, and 10 years ended December 31, 2005.

The U.S. economy and investment markets weathered the storms - both literally and figuratively - of 2005, as the economy remained healthy despite dramatic events. The most devastating hurricane in U.S. history - Katrina - caused oil prices to spike to over \$70 a barrel in August before settling back to \$60 by December; natural gas prices are also up. Short-term interest rates were raised eight times during the year by the Federal Reserve Board (the "Fed") for a total increase of 2 percent.

|         | The<br>Trust | Lehman<br>Brothers<br>U.S. Corporate<br>High Yield Index | Lehman<br>Brothers<br>Intermediate<br>U.S. Credit Index* | Standard<br>& Poor's<br>Industrials<br>Composite** | Russell<br>2000 Index |
|---------|--------------|--|--|--|-----------------------|
| 1 Year  | 22.51%       | 2.74%  | 1.42%  | 3.98%  | 4.55%                 |
| 3 Year  | 23.79%       | 13.77%   | 4.11%  | 13.72%   | 22.13%                |
| 5 Year  | 15.70%       | 8.85%  | 6.41%  | -0.14%   | 8.22%                 |
| 10 Year | 13.99%       | 6.54%  | 6.20%  | 8.47%  | 9.26%                 |

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

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- \* FORMERLY CALLED THE LEHMAN BROTHERS INTERMEDIATE CORPORATE BOND INDEX.
- \*\* FORMERLY CALLED THE STANDARD & POOR'S INDUSTRIAL PRICE INDEX.

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### MassMutual Participation Investors

While historically events such as these have had a negative economic impact, indications are that the U.S. economy remains strong and is improving. The unemployment rate in 2005 dropped to 5 percent from 5.4 percent the previous year. Core inflation is about 2 percent and the value of the dollar versus several other currencies improved after three years of decline. U.S. Gross Domestic Product has grown at an annualized rate of more than 4 percent during the past two years.

Investors continue to witness a strong corporate-credit market in 2005. Corporate credit defaults around the globe continued their downward trend for the fourth consecutive year, as reported by Moody's Investors Service. Moody's global issuer-weighted speculative-grade default rate finished the year at 1.9 percent, down from 2.3 percent in 2004 and its lowest level since 1997. Moody's expects the default rate to climb this year, but still stay below the rate's historical annual average of 4.9 percent.

Overall, the Trust closed 13 new private placement transactions during 2005 and invested additional capital in three existing private placement investments, fewer than in 2004 but consistent with activity of prior years.

New private placement transactions during the year were: AmerCable, Inc.; Arrow Tru-Line Holdings, Inc.; C & J Spec-Rent MTTED] Services, Inc.; Connor Sport Court International, Inc.; Consolidated Foundries Holdings; CorePharma LLC; ITC^DeltaCom, Inc.; MicroGroup, Inc.; O R S Nasco Holding, Inc.; Tangent Rail Corporation; Terra Renewal Services, Inc.; Transtar Holding Company; and Truck Bodies & Equipment International.

In addition, the Trust added to existing private placement investments in Augusta Sportswear Holding Co.; Directed Electronics, Inc.; and Moss, Inc.

The Trust also had realizations in over 16 private placement investments.

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MassMutual Participation Investors

The Outlook for 2006

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There are no clear signals that identify prospects for 2006. There is room for optimism in that the Fed presently indicates it does not expect to continue to raise interest rates, which are still low by historical standards. The economy continues to chug along at better-than-expected growth rates, but a return to more normal growth seems likely if inflation is to remain muted. Consumer confidence remains strong, but higher energy prices and cooling of the housing market may slow consumer spending. The rising global demand for energy continues to push prices up. Geopolitical risk worldwide and instability and conflict in the Middle East could create new problems at any time. As always, no one can predict the future with any degree of certainty.

Indications are that merger and acquisition activity could be high in 2006. Last year was the world's most active merger and acquisition environment since 2000, with some \$1.3 trillion in announced deals in the U.S. alone, according to Thomson Financial. Private equity firms raised a record \$86.2 billion in 2005, and are expected to put that to work in 2006. Many corporations also have strong cash positions as well. The market for deals in the coming year will be very competitive, requiring investors to fully scrutinize each opportunity.

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

Sincerely,

/s/ Clifford M. Noreen

Clifford M. Noreen,  
PRESIDENT

CAUTIONARY NOTICE: CERTAIN STATEMENTS CONTAINED IN THIS REPORT TO SHAREHOLDERS MAY BE "FORWARD LOOKING" STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION ACT OF 1995. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE FORECASTED.

| 2005 Dividends | Record Date | Net Investment Income | Short-Term Gains | Ordinary Income |
|----------------|-------------|-----------------------|------------------|-----------------|
| Regular        | 05/02/05    | \$0.2400              | --               |                 |
|                | 07/29/05    | 0.2400                | --               |                 |
|                | 10/31/05    | 0.2400                | --               |                 |
|                | 12/30/05    | 0.2400                | --               |                 |
| Special        | 12/30/05    | 0.0500                | --               |                 |
| \$1.0100       |             |                       |                  | \$1.0100        |

The following table summarizes the tax effects of the retention of capital gains for 2005:

|                          | Amount Per Share | Form 2439 |
|--------------------------|------------------|-----------|
| 2005 Gains Retained      | 0.9477           | Line 1a   |
| Long-Term Gains Retained | 0.9477           |           |



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|                  |        |         |
|------------------|--------|---------|
| Taxes Paid       | 0.3317 | Line 2* |
| Basis Adjustment | 0.6160 | **      |

\* IF YOU ARE NOT SUBJECT TO FEDERAL CAPITAL GAINS TAX (E.G., CHARITABLE ORGANIZATIONS, IRAS AND KEOGH PLANS), YOU MAY BE ABLE TO CLAIM A REFUND BY FILING FORM 990-T.

\*\* FOR FEDERAL INCOME TAX PURPOSES, YOU MAY INCREASE THE ADJUSTED COST BASIS OF YOUR SHARES BY THIS AMOUNT (THE EXCESS OF LINE 1A OVER LINE 2).

| Annual Dividend<br>Amount Per Share | Qualified for Dividend<br>Received Deduction*** |                  | Qualified Dividends**** |                  | Inter-<br>U.S. Go<br>Percent |
|-------------------------------------|---|------------------|-------------------------|------------------|------------------------------|
|                                     | Percent   | Amount Per Share | Percent                 | Amount Per Share |                              |
| \$1.01                              | 9.9904%   | 0.1002           | 9.9904%                 | 0.1002           | 0.0000%                      |

\*\*\* NOT AVAILABLE TO INDIVIDUAL SHAREHOLDERS

\*\*\*\* QUALIFIED DIVIDENDS ARE REPORTED IN BOX 1B ON IRS FORM 1099-DIV FOR 2005

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Financial Report

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MassMutual Participation Investors

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES  
December 31, 2005

ASSETS:

Investments

(See Consolidated Schedule of Investments)

|  |               |
|--|---------------|
| Corporate restricted securities at fair value<br>(Cost - \$85,392,554) | \$ 84,550,715 |
| Corporate public securities at market value<br>(Cost - \$ 31,111,570)  | 33,460,320    |
| Short-term securities at amortized cost                                | 14,408,861    |
|  | -----         |
|  | 132,419,896   |
|  | -----         |
| Cash   | 2,765,876     |
| Interest and dividends receivable                                      | 2,444,519     |
| Receivable for investments sold  | 485,267       |
| Other assets   | 12,780        |
|  | -----         |
| TOTAL ASSETS   | 138,128,338   |
|  | -----         |

LIABILITIES:

|                                 |               |
|---------------------------------|---------------|
| Dividend payable                | 2,825,827     |
| Investment advisory fee payable | 267,793       |
| Note payable                    | 12,000,000    |
| Interest payable                | 88,933        |
| Accrued expenses                | 212,877       |
| Accrued taxes payable           | 3,713,942     |
|                                 | -----         |
| TOTAL LIABILITIES               | 19,109,372    |
|                                 | -----         |
| TOTAL NET ASSETS                | \$119,018,966 |
|                                 | =====         |

NET ASSETS:

|  |               |
|--|---------------|
| Common shares, par value \$.01 per share; an unlimited number authorized | \$ 97,442     |
| Additional paid-in capital   | 90,107,502    |
| Retained net realized gain on investments, prior years                   | 19,858,001    |
| Undistributed net investment income                                      | 923,836       |
| Accumulated net realized gain on investments                             | 6,700,688     |
| Net unrealized appreciation of investments                               | 1,331,497     |
|  | -----         |
| TOTAL NET ASSETS   | \$119,018,966 |
|  | -----         |

|                                      |           |
|--------------------------------------|-----------|
| COMMON SHARES ISSUED AND OUTSTANDING | 9,744,230 |
|                                      | -----     |
| NET ASSET VALUE PER SHARE            | \$ 12.21  |
|                                      | =====     |

See Notes to Consolidated Financial Statements.

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MassMutual Participation Investors

CONSOLIDATED STATEMENT OF OPERATIONS  
For the year ended December 31, 2005

|   |               |
|---|---------------|
| INVESTMENT INCOME:  |               |
| Interest  | \$ 11,353,955 |
| Dividends   | 857,590       |
|   | -----         |
| TOTAL INVESTMENT INCOME   | 12,211,545    |
|   | -----         |
| EXPENSES:   |               |
| Investment advisory fees  | 1,045,524     |
| Interest  | 908,729       |
| Trustees' fees and expenses                                       | 122,400       |
| Transfer agent/registrar's expenses                               | 26,400        |
| Reports to shareholders   | 120,000       |
| Legal fees  | 180,000       |
| Audit fees  | 117,600       |
| Other   | 19,784        |
|   | -----         |
| TOTAL EXPENSES  | 2,540,437     |
|   | -----         |
| Investment income before income tax expense                       | 9,671,108     |
|   | -----         |
| Income tax expense  | (27,826)      |
|   | -----         |
| INVESTMENT INCOME - NET   | 9,643,282     |
|   | -----         |
| NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS:                  |               |
| Net realized gain on investments before taxes                     | 11,856,942    |
| Income tax expense  | (3,550,863)   |
|   | -----         |
| Net realized gain on investments                                  | 8,306,079     |
|   | -----         |
| Net change in unrealized depreciation of investments before taxes | 2,525,930     |
| Deferred income tax expense                                       | (175,414)     |
|   | -----         |
| Net change in unrealized depreciation of investments              | 2,350,516     |
|   | -----         |
| NET GAIN ON INVESTMENTS   | 10,656,595    |
|   | -----         |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS              | \$ 20,299,877 |
|   | =====         |

See Notes to Consolidated Financial Statements.

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MassMutual Participation Investors

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended December 31, 2005

|                                       |               |
|---------------------------------------|---------------|
| Net increase in cash:                 |               |
| Cash flows from operating activities: |               |
| Interest and dividends received       | \$ 10,984,108 |

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|  |               |
|--|---------------|
| Interest expense paid  | (933,620)     |
| Operating expenses paid  | (1,566,125)   |
| Income taxes paid  | (456,580)     |
|  | -----         |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | 8,027,783     |
|  | -----         |
| Cash flows from investing activities:  |               |
| Purchases/Proceeds/Maturities from short-term portfolio securities, net                                  | (8,567,184)   |
| Purchases of portfolio securities  | (38,126,210)  |
| Proceeds from disposition of portfolio securities  | 59,108,648    |
|  | -----         |
| NET CASH PROVIDED BY INVESTING ACTIVITIES  | 12,415,254    |
|  | -----         |
| NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES  | 20,443,037    |
|  | -----         |
| Cash flows from financing activities:  |               |
| Repayment of borrowings on Revolving Credit Agreement  | (10,500,000)  |
| Cash dividends paid from net investment income   | (10,474,934)  |
| Receipts for shares issued on reinvestment of dividends  | 927,722       |
|  | -----         |
| NET CASH USED FOR FINANCING ACTIVITIES   | (20,047,212)  |
|  | -----         |
| NET INCREASE IN CASH   | 395,825       |
| Cash - beginning of year   | 2,370,051     |
|  | -----         |
| CASH - END OF YEAR   | \$ 2,765,876  |
|  | =====         |
| RECONCILIATION OF NET INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES: |               |
|  | -----         |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS   | \$ 20,299,877 |
|  | -----         |
| Increase in investments  | (3,648,499)   |
| Increase in interest and dividends receivable  | (577,184)     |
| Decrease in receivable for investments sold  | 1,043,408     |
| Increase in other assets   | (12,780)      |
| Increase in investment advisory fee payable  | 26,121        |
| Decrease in interest payable   | (24,891)      |
| Increase in accrued expenses   | 39,462        |
| Increase in accrued taxes payable  | 3,297,523     |
|  | -----         |
| TOTAL ADJUSTMENTS TO NET ASSETS FROM OPERATIONS  | 143,160       |
|  | -----         |
| NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES  | \$ 20,443,037 |
|  | =====         |

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, 2005 and 2004

2005

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-----  
 INCREASE IN NET ASSETS:

Operations:

|  |              |
|--|--------------|
| Investment income - net                              | \$ 9,643,282 |
| Net realized gain on investments                     | 8,306,079    |
| Net change in unrealized depreciation of investments | 2,350,516    |
|  | -----        |
| Net increase in net assets resulting from operations | 20,299,877   |
|  | -----        |

|   |         |
|---|---------|
| Increase from common shares issued on reinvestment of dividends |         |
| Common shares issued (2005 - 71,671; 2004 - 81,587)             | 927,722 |

Dividends to shareholders from:

|  |             |
|--|-------------|
| Net investment income (2005 - \$1.01 per share; 2004 - \$1.10 per share) | (9,818,640) |
|  | -----       |

|                              |            |
|------------------------------|------------|
| TOTAL INCREASE IN NET ASSETS | 11,408,959 |
|                              | -----      |

|                               |             |
|-------------------------------|-------------|
| NET ASSETS, BEGINNING OF YEAR | 107,610,007 |
|                               | -----       |

|                         |                |
|-------------------------|----------------|
| NET ASSETS, END OF YEAR | \$ 119,018,966 |
|                         | =====          |

See Notes to Consolidated Financial Statements.

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MassMutual Participation Investors

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

| For the years ended December 31,                          | 2005     | 2004    | 2003    |
|---|----------|---------|---------|
|   | -----    | -----   | -----   |
| Net asset value: Beginning of year                        | \$ 11.13 | \$ 9.84 | \$ 8.78 |
|   | -----    | -----   | -----   |
| Net investment income+                                    | 0.99     | 1.00    | 0.80    |
| Net realized and unrealized<br>gain (loss) on investments | 1.09**   | 1.36    | 1.21    |
|   | -----    | -----   | -----   |
| Total from investment operations                          | 2.08     | 2.36    | 2.01    |

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|  |           |           |          |
|--|-----------|-----------|----------|
| Dividends from net investment<br>income to common shareholders | (1.01)    | (1.10)    | (0.96)   |
| Change from issuance of shares                                 | 0.01      | 0.03      | 0.01     |
| Total distributions  | (1.00)    | (1.07)    | (0.95)   |
| Net asset value: End of year                                   | \$ 12.21  | \$ 11.13  | \$ 9.84  |
| Per share market value: End of year                            | \$ 14.05  | \$ 13.31  | \$ 11.65 |
| Total investment return  |           |           |          |
| Market value   | 17.25%    | 25.77%    | 35.50%   |
| Net asset value*   | 22.51%    | 25.14%    | 23.72%   |
| Net assets (in millions):                                      |           |           |          |
| End of year  | \$ 119.02 | \$ 107.61 | \$ 94.40 |
| Ratio of operating expenses<br>to average net assets           | 1.45%     | 1.63%     | 1.65%    |
| Ratio of interest expense<br>to average net assets             | 0.80%     | 0.89%     | 0.97%    |
| Ratio of total expenses<br>to average net assets               | 2.25%     | 2.52%     | 2.62%    |
| Ratio of net investment income<br>to average net assets        | 8.45%     | 9.60%     | 8.55%    |
| Portfolio turnover   | 31.50%    | 51.25%    | 55.08%   |

+ Calculated using average shares.

\* 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.

\*\* Amount includes \$0.10 per share in litigation proceeds (see Footnote 8).

See Notes to Consolidated Financial Statements.

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

|  | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|--|--|-------------------|
| Corporate Restricted Securities - 71.04%:(A) |  |                   |
| Private Placement Investments - 62.99%       |  |                   |

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### A T I ACQUISITION COMPANY

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

|   |              |          |
|---|--------------|----------|
| 12% Senior Subordinated Note due 2012   | \$ 1,125,000 | 04/08/04 |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.02 per share (B) | 1,230 shs.   | 04/08/04 |

### A W C HOLDING COMPANY

A manufacturer and distributor of aluminum and vinyl windows and doors in the Southwest and South

|  |              |          |
|--|--------------|----------|
| 12% Senior Subordinated Note due 2012                        | \$ 1,125,000 | 05/18/04 |
| Limited Partnership Interest of<br>A W C Investments LLC (B) | 0.74% int.   | 05/18/04 |

### ADORN, INC.

A manufacturer of wall panels, cabinets, moldings and countertops for houses and recreational veh

|   |              |          |
|---|--------------|----------|
| 12.5% Subordinated Note due 2010  | \$ 1,125,000 | 02/29/00 |
| Warrant, exercisable until 2010, to purchase<br>common stock at \$.02 per share (B) | 192 shs.     | 02/29/00 |

### AMERCABLE, INC.

A manufacturer of electric power, instrumentation and control cables, primarily for the mining an

|   |            |          |
|---|------------|----------|
| 12% Senior Subordinated Note due 2013   | \$ 583,333 | 04/08/05 |
| Limited Partnership Interest (B)  | 0.19% int. | 04/07/05 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) | 66 shs.    | 04/08/05 |

### AMERICAN HOSPICE MANAGEMENT HOLDING LLC

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

|                                       |              |          |
|---------------------------------------|--------------|----------|
| 12% Senior Subordinated Note due 2010 | \$ 1,125,000 | 01/22/04 |
| Preferred Class A Unit (B)            | 1,337 uts.   | 01/22/04 |
| Common Class B Unit                   | 1,610 uts.   | 01/22/04 |

### ARROW TRU-LINE HOLDINGS, INC.

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

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

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2005

Shares, Units,  
Warrants,  
Ownership

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

| Corporate Restricted Securities:(A) continued  | or Principal<br>Amount | Acquisiti<br>Date |
|--|------------------------|-------------------|
| <hr/>  |                        |                   |
| AUGUSTA SPORTSWEAR HOLDING CO.   |                        |                   |
| A manufacturer and distributor of athletic apparel, activewear and team uniforms.                    |                        |                   |
| 12% Senior Subordinated Note due 2012  | \$ 893,000             | 12/31/04          |
| Common Stock (B)   | 261 shs.               | *                 |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B)                  | 73 shs.                | 12/31/04          |
| *12/31/04 and 03/31/05.  |                        |                   |
| BEACON MEDICAL PRODUCTS, INC.  |                        |                   |
| A designer, manufacturer and marketer of medical air and gas distribution systems.                   |                        |                   |
| 8.08% Senior Secured Revolving Credit<br>Facility due 2007 (C)                                       | \$ 131,792             | 04/09/02          |
| 8.08% Senior Secured Tranche A Note due 2008 (C)   | \$ 368,549             | 04/09/02          |
| 12% Senior Secured Note due 2010   | \$ 412,112             | 04/09/02          |
| Limited Partnership Interest of Riverside Capital<br>Appreciation Fund IV, L.P. (B)                  | 5.09% int.             | 04/09/02          |
| Warrant, exercisable until 2010, to purchase<br>common stock at \$.01 per share (B)                  | 794 shs.               | 04/09/02          |
| BETA BRANDS LTD  |                        |                   |
| A manufacturer of hard candy and chocolate-coated products sold primarily to the Canadian market.    |                        |                   |
| 5% Promissory Note due 2009 (B)  | \$ 96,698              | 03/31/04          |
| Warrant, exercisable until 2009, to purchase<br>common stock at \$.01 per share (B)                  | 2,421 shs.             | 03/31/04          |
| BETTER MINERALS & AGGREGATES   |                        |                   |
| A producer of high grade industrial and specialty silica sands.                                      |                        |                   |
| 14% Redeemable Preferred Stock (B)   | 499 shs.               | 09/30/99          |
| Convertible Preferred Stock Series A and B, convertible<br>into common stock at \$9.26 per share (B) | 62,997 shs.            | 12/19/96          |
| Common Stock (B)   | 10,013 shs.            | 09/30/99          |
| Warrants, exercisable until 2010, to<br>purchase common stock at \$.01 per share (B)                 | 5,700 shs.             | **                |
| **12/19/96 and 09/30/99.   |                        |                   |
| C & J SPEC-RENT SERVICES, INC.   |                        |                   |
| A provider of coiled tubing and pressure pumping services to the oil and gas industry in Texas and   |                        |                   |
| 10% Senior Secured Term Note due 2012  | \$ 886,597             | 08/12/05          |
| 14% Senior Subordinated Note due 2013  | \$ 644,776             | 08/12/05          |
| Common Stock (B)   | 268,657 shs.           | 08/12/05          |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B)                  | 49,552 shs.            | 08/12/05          |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS



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December 31, 2005

| Corporate Restricted Securities:(A) continued  | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|--|--|-------------------|
| <hr style="border-top: 1px dashed black;"/>  |  |                   |
| <b>C &amp; M CONVEYOR, INC.</b>  |  |                   |
| A manufacturer and supplier of material handling systems to the corrugated sheet and container industry. |  |                   |
| 9.5% Senior Secured Term Note due 2007   | \$ 433,735   | 09/13/02          |
| 11% Senior Subordinated Note due 2010  | \$ 478,916   | 09/13/02          |
| Common Stock (B)   | 180,723 shs.   | 09/13/02          |
| Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)                         | 78,386 shs.  | 09/13/02          |
| <br>   |  |                   |
| <b>CAINS FOODS, L.P.</b>   |  |                   |
| A producer of mayonnaise and sauce products for both the retail and food service markets.                |  |                   |
| Limited Partnership Interest   | 6.49% int.   | 09/29/95          |
| <br>   |  |                   |
| <b>CAPESUCCESS LLC</b>   |  |                   |
| A provider of diversified staffing services.   |  |                   |
| Preferred Membership Interests (B)   | 806 uts.   | 04/29/00          |
| Common Membership Interests (B)  | 10,421 uts.  | 04/29/00          |
| <br>   |  |                   |
| <b>CAPITAL SPECIALTY PLASTICS, INC.</b>  |  |                   |
| A producer of desiccant strips used for packaging pharmaceutical products.                               |  |                   |
| Common Stock (B)   | 55 shs.  | *                 |
| *12/30/97 and 05/29/99.  |  |                   |
| <br>   |  |                   |
| <b>COEUR, INC.</b>   |  |                   |
| A producer of proprietary, disposable power injection syringes.  |  |                   |
| 8.75% Senior Secured Term Note due 2010  | \$ 326,087   | 04/30/03          |
| 11.5% Senior Subordinated Note due 2011  | \$ 242,754   | 04/30/03          |
| Common Stock (B)   | 72,463 shs.  | 04/30/03          |
| Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)                         | 50,099 shs.  | 04/30/03          |
| <br>   |  |                   |
| <b>COINING CORPORATION OF AMERICA LLC</b>  |  |                   |
| A manufacturer of close tolerance parts and metal stampings.   |  |                   |
| 9.25% Senior Secured Revolving Credit Facility due 2006 (C)  | \$ 92,593  | 01/07/02          |
| 9.25% Senior Secured Tranche A Note due 2007 (C)   | \$ 483,605   | 06/26/01          |
| 13% Senior Secured Tranche B Note due 2006   | \$ 370,370   | 06/26/01          |
| Limited Partnership Interest (B)   | 3.65% int.   | 06/26/01          |
| Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)                         | 61,163 shs.  | 06/26/01          |

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

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

| Corporate Restricted Securities:(A) continued   | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|---|--|-------------------|
| <hr/>   |  |                   |
| <b>CONNOR SPORT COURT INTERNATIONAL, INC.</b>   |  |                   |
| A designer and manufacturer of outdoor and indoor synthetic sports flooring and other temporary f |  |                   |
| 12% Senior Subordinated Note due 2012   | \$ 1,059,417   | *                 |
| Limited Partnership Interest (B)  | 4.43% int.   | **                |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B)               | 92 shs.  | *                 |
| *08/12/04 and 01/18/05. **08/12/04 and 01/14/05.  |  |                   |
| <b>CONSOLIDATED FOUNDRIES HOLDINGS</b>  |  |                   |
| A manufacturer of engineered cast metal components for the global aerospace and defense industrie |  |                   |
| 12% Senior Subordinated Note due 2013   | \$ 1,157,143   | 06/15/05          |
| Common Stock (B)  | 193 shs.   | 06/15/05          |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B)               | 54 shs.  | 06/15/05          |
| <b>COREPHARMA LLC</b>   |  |                   |
| 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<br>common stock at \$.01 per share (B)               | 10 shs.  | 08/04/05          |
| <b>CORVEST GROUP, INC.</b>  |  |                   |
| A manufacturer and distributor of promotional products.   |  |                   |
| 12% Senior Subordinated Note due 2007   | \$ 2,045,455   | ***               |
| Common Stock (B)  | 30 shs.  | ***               |
| Limited Partnership Interest (B)  | 10.23% int.  | ***               |
| Warrant, exercisable until 2007, to purchase<br>common stock at \$.01 per share (B)               | 171 shs.   | ***               |
| ***03/05/99 and 03/24/99.   |  |                   |
| <b>DEXTER MAGNETICS TECHNOLOGIES, INC.</b>  |  |                   |
| A designer, fabricator, assembler and distributor of industrial magnets and subassemblies in Nort |  |                   |
| Common Stock (B)  | 310 shs.   | 07/19/01          |
| Warrant, exercisable until 2006, to purchase<br>common stock at \$.01 per share (B)               | 157 shs.   | 07/19/01          |
| <b>DIRECTED ELECTRONICS, INC.</b>   |  |                   |
| A designer and distributor of brand name automotive security systems, audio products and installa |  |                   |
| Common Stock (B)  | 126,817 shs.   | 12/19/05          |
| Limited Partnership Interest (B)  | 4.61% int.   | ****              |
| ****12/22/99 and 09/14/05.  |  |                   |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

| Corporate Restricted Securities:(A) continued   | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|---|--|-------------------|
| -----   |  |                   |
| DIVERSCO, INC./DHI HOLDINGS, INC.   |  |                   |
| A contract provider of janitorial and equipment maintenance services and temporary production labor |  |                   |
| Membership Interests of MM/Lincap   |  |                   |
| Diversco Investments Ltd. LLC (B)   | 13.57% int.  | 08/27/98          |
| Preferred Stock (B)   | 1,639 shs.   | 12/14/01          |
| Warrants, exercisable until 2011, to purchase   |  |                   |
| common stock of DHI Holdings, Inc. at \$.01 per share (B)   | 6,676 shs.   | *                 |
| *10/24/96 and 08/28/98.   |  |                   |
| DWYER GROUP, INC.   |  |                   |
| A franchiser of a variety of home repair services.  |  |                   |
| 14% Senior Subordinated Note due 2011   | \$ 984,375   | 10/30/03          |
| Common Stock (B)  | 3,656 shs.   | **                |
| Warrant, exercisable until 2011, to purchase  |  |                   |
| common stock at \$.01 per share (B)   | 1,077 shs.   | 10/30/03          |
| **10/30/03 and 01/02/04.  |  |                   |
| E 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   | 11 shs.  | 06/28/04          |
| EAGLE PACK PET FOODS, INC.  |  |                   |
| A manufacturer of premium pet food sold through independent pet stores.                             |  |                   |
| 14% Senior Subordinated Note due 2011   | \$ 562,500   | 09/24/04          |
| Warrant, exercisable until 2011, to purchase  |  |                   |
| common stock at \$.02 per share (B)   | 2,163 shs.   | 09/24/04          |
| EAST RIVER VENTURES I, L.P.   |  |                   |
| An acquirer of controlling or substantial interests in other entities                               |  |                   |
| Limited Partnership Interest (B)  | 0.03% int.   | 01/01/01          |
| ENZYMATIC THERAPY, INC.   |  |                   |
| A manufacturer and distributor of branded natural medicines and nutritional supplements.            |  |                   |
| Limited Partnership Interest (B)  | 0.70% int.   | 03/30/00          |
| Warrant, exercisable until 2009, to purchase  |  |                   |
| common stock at \$.01 per share (B)   | 15,415 shs.  | 03/30/00          |
| EURO-PRO CORPORATION  |  |                   |

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|   |              |          |
|---|--------------|----------|
| A designer, marketer and distributor of floor care, steam cleaning and small kitchen products and |              |          |
| 13.25% Senior Subordinated Note due 2011  | \$ 1,125,000 | 09/09/03 |
| Warrant, exercisable until 2011, to purchase  |              |          |
| common stock at \$.01 per share (B)   | 23,229 shs.  | 09/09/03 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

|  | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|--|--|-------------------|
|--|--|-------------------|

---

Corporate Restricted Securities:(A) continued

EVANS CONSOLES, INC.

A designer and manufacturer of consoles and control center systems.

Limited Partnership Interest of CM

Equity Partners (B)

1.21% int. 02/11/98

Common Stock (B)

45,000 shs. 05/06/04

HIGHGATE CAPITAL LLC

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

Series A Preferred Units (B)

0.30% int. 07/21/94

HOME DECOR HOLDING COMPANY

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

12.5% Senior Subordinated Note due 2012

\$ 1,081,731 \*

Common Stock (B)

33 shs. \*

Warrant, exercisable until 2012, to purchase

    common stock at \$.01 per share (B)

106 shs. \*

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

INTEGRATION TECHNOLOGY SYSTEMS, INC.

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

12% Senior Secured Note due 2006

\$ 949,004 03/01/04

Common Stock (B)

130 shs. 06/01/00

ITC^DELTACOM, INC.

A provider of integrated communications services in the southeastern United States.

12.81% Senior Secured Note due 2009 (C)

\$ 1,168,440 07/26/05

16.31% Senior Secured Note due 2009 (C)

\$ 181,560 07/26/05

Warrant, exercisable until 2009, to purchase

    convertible preferred stock at \$.01 per share (B)

54,468 shs. 07/26/05

JASON, INC.

A diversified manufacturing company serving various industrial markets.

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|   |    |             |          |
|---|----|-------------|----------|
| 13% Senior Subordinated Note due 2008   | \$ | 510,187     | 08/04/00 |
| 14% Cumulative Redeemable Preferred Stock Series A (B)  |    | 153 shs.    | 08/04/00 |
| Limited Partnership Interest of<br>Saw Mill Capital Fund II, L.P. (B)                         |    | 1.30% int.  | 08/03/00 |
| Warrants, exercisable until 2008 and 2009, to purchase<br>common stock at \$.01 per share (B) |    | 26,931 shs. | 08/04/00 |

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### MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

|  |    | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|--|----|--|-------------------|
| Corporate Restricted Securities:(A) continued  |    |  |                   |
| -----  |    |  |                   |
| 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<br>common stock at \$.01 per share (B)                          |    | 594 shs.   | 12/15/04          |
| KEEPSAKE QUILTING, INC.  |    |  |                   |
| A seller of quilting fabrics, books, patterns, kits and notions to consumers.                                |    |  |                   |
| 7.35% Senior Secured Revolving Note due 2006 (C)   | \$ | 20,967   | 06/16/00          |
| 7.94% Senior Secured Tranche A Note due 2007 (C)   | \$ | 235,882  | 06/16/00          |
| 12% Senior Secured Tranche B Note due 2008   | \$ | 314,509  | 06/16/00          |
| Limited Partnership Interest of<br>Riverside XVI Holding Company, L.P. (B)                                   |    | 3.02% int.   | 06/12/00          |
| Warrant, exercisable until 2008, to purchase<br>common stock at \$.01 per share (B)                          |    | 633 shs.   | 06/12/00          |
| KELE AND ASSOCIATES, INC.  |    |  |                   |
| A distributor of building automation control products.   |    |  |                   |
| 12% Senior Subordinated Note due 2012  | \$ | 969,643  | 02/27/04          |
| Preferred Stock (B)  |    | 12 shs.  | 11/24/04          |
| Common Stock (B)   |    | 6 shs.   | 02/27/04          |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.02 per share (B)                          |    | 6 shs.   | 02/27/04          |
| KEYSTONE NORTH AMERICA, INC.   |    |  |                   |
| An operator of funeral homes in North America.   |    |  |                   |
| Common Stock   |    | 28,577 shs.  | 02/08/05          |
| LIH INVESTORS, L.P.  |    |  |                   |
| A manufacturer and marketer of a broad line of external accessories for new and used sport utility vehicles. |    |  |                   |
| 12.5% Senior Subordinated Note due 2008  | \$ | 2,036,000  | *                 |

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|   |            |   |
|---|------------|---|
| Common Stock (B)  | 3,057 shs. | * |
| Warrant, exercisable until 2006, to purchase<br>common stock at \$.11 per share (B) | 8,245 shs. | * |

\*12/23/98 and 01/28/99.

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### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2005

|   | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|---|--|-------------------|
| Corporate Restricted Securities:(A) continued   |  |                   |
| -----   |  |                   |
| MAVERICK ACQUISITION COMPANY  |  |                   |
| A manufacturer of capsules that cover the cork and neck of wine bottles.                          |  |                   |
| 8.57% Senior Secured Tranche A Note due 2010 (C)  | \$ 436,568   | 09/03/04          |
| 12% Senior Secured Tranche B Note due 2011  | \$ 179,104   | 09/03/04          |
| Limited Partnership Interest (B)  | 4.48% int.   | 09/03/04          |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B)               | 243 shs.   | 09/03/04          |
| MAXON CORPORATION   |  |                   |
| A manufacturer of industrial combustion equipment and related shut-off valves and control valves. |  |                   |
| 12% Senior Subordinated Note due 2012   | \$ 549,837   | 09/30/04          |
| 8.75% Senior Subordinated Note due 2012   | \$ 732,065   | 09/30/04          |
| Common Stock (B)  | 218,099 shs.   | 09/30/04          |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B)               | 87,755 shs.  | 09/30/04          |
| MEDASSIST, INC.   |  |                   |
| A provider of patient eligibility and accounts receivable management services to hospitals and ph |  |                   |
| 8% Preferred Stock  | 44 shs.  | 10/28/04          |
| Common Stock  | 13,863 shs.  | 10/28/04          |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share                   | 47,090 shs.  | 05/01/03          |
| MICROGROUP, INC.  |  |                   |
| A manufacturer of precision parts and assemblies, and a value-added supplier of metal tubing and  |  |                   |
| 12% Senior Subordinated Note due 2013   | \$ 1,134,000   | 08/12/05          |
| Common Stock (B)  | 216 shs.   | 08/12/05          |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B)               | 73 shs.  | 08/12/05          |
| MOSS, INC.  |  |                   |
| A manufacturer and distributor of large display and exhibit structures.                           |  |                   |

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

|   |    |             |          |
|---|----|-------------|----------|
| 8.51% Senior Secured Revolving Note due 2010 (C)                                    | \$ | 23,529      | 12/21/05 |
| 8.51% Senior Secured Tranche A Note due 2010 (C)                                    | \$ | 582,353     | 12/21/05 |
| 12% Senior Secured Tranche B Note due 2010  | \$ | 200,000     | 12/21/05 |
| Limited Partnership Interest of<br>Riverside Capital Appreciation Fund I, L.P. (B)  |    | 19.20% int. | *        |
| Warrant, exercisable until 2010, to purchase<br>common stock at \$.01 per share (B) |    | 122 shs.    | 12/21/05 |

\*09/20/00 and 05/23/02.

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### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2005

|   |    | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|---|----|--|-------------------|
| Corporate Restricted Securities:(A) continued                                       |    |  |                   |
| -----   |    |  |                   |
| MUSTANG VENTURES COMPANY  |    |  |                   |
| A natural gas gathering and processing operation located in Oklahoma and Texas.     |    |  |                   |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) |    | 8,752 shs.   | 12/11/02          |
| NEFF MOTIVATION, INC.   |    |  |                   |
| A manufacturer and distributor of customized awards and sportswear to schools.      |    |  |                   |
| 12.5% Senior Subordinated Note due 2011   | \$ | 562,500  | 01/31/03          |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B) |    | 112 shs.   | 01/31/03          |
| NONNI'S FOOD COMPANY  |    |  |                   |
| A producer and distributor of premium biscotti and bagel chips in North America.    |    |  |                   |
| 12.25% Senior Subordinated Note due 2012  | \$ | 986,538  | 03/29/04          |
| 10% Preferred Stock (B)   |    | 135 shs.   | 03/29/04          |
| Common Stock (B)  |    | 3,418 shs.   | 03/29/04          |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) |    | 4,565 shs.   | 03/29/04          |
| NYLONCRAFT, INC.  |    |  |                   |
| A supplier of engineered plastic components for the automotive industry.            |    |  |                   |
| 9% Senior Secured Note due 2009   | \$ | 464,286  | 01/28/02          |
| 11.5% Senior Subordinated Note due 2012   | \$ | 857,143  | 01/28/02          |
| Common Stock (B)  |    | 178,571 shs.   | 01/28/02          |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) |    | 138,928 shs.   | 01/28/02          |
| O R S NASCO HOLDING, INC.   |    |  |                   |
| A wholesale distributor of industrial supplies in North America.                    |    |  |                   |
| 13% Senior Subordinated Note due 2013   | \$ | 1,256,152  | 12/20/05          |

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|   |             |          |
|---|-------------|----------|
| Common Stock (B)  | 93,848 shs. | 12/20/05 |
| Warrant, exercisable until 2015, to purchase<br>common stock at \$.01 per share (B) | 52,820 shs. | 12/20/05 |

### OLYMPIC SALES, INC.

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

|   |              |          |
|---|--------------|----------|
| 14% Senior Subordinated Note due 2006   | \$ 1,241,000 | 08/07/98 |
| 12% Senior Subordinated Note due 2008   | \$ 244,154   | 02/09/00 |
| Limited Partnership Interest of Riverside VIII, VIII-A and<br>VIII-B Holding Company, L.P.    | 10.66% int.  | *        |
| Warrants, exercisable until 2007 and 2008, to purchase<br>common stock at \$.01 per share (B) | 15,166 shs.  | **       |

\*08/07/98, 02/23/99, 12/22/99 and 02/25/03. \*\*08/07/98 and 02/29/00.

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### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2005

|   | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|---|--|-------------------|
| Corporate Restricted Securities:(A) continued |  |                   |

### PARADIGM PACKAGING, INC.

A manufacturer of plastic bottles and closures for the nutritional, pharmaceutical, personal care

|  |              |          |
|--|--------------|----------|
| 12% Senior Subordinated Note due 2008                              | \$ 1,125,000 | 12/19/00 |
| Membership Interests of MM/Lincap<br>PPI Investments, Inc. LLC (B) | 1.28% int.   | 12/21/00 |

### PRECISION DYNAMICS, INC.

A manufacturer of custom-designed solenoid valves and controls.

|   |            |          |
|---|------------|----------|
| 8% Senior Secured Revolving Credit<br>Facility due 2006 (C)                         | \$ 207,825 | 07/22/96 |
| 12% Senior Secured Term Note due 2006   | \$ 163,000 | 07/22/96 |
| 8% Preferred Stock  | 228 shs.   | 07/22/96 |
| Common Stock (B)  | 299 shs.   | 07/22/96 |
| Warrant, exercisable until 2006, to purchase<br>common stock at \$.01 per share (B) | 162 shs.   | 07/22/96 |

### PROTEIN GENETICS, INC.

A producer of bovine artificial insemination products, related breeding  
and healthcare products and specialty genetics sold to the dairy and beef industries.

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

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

### QUALIS AUTOMOTIVE LLC



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

|   |              |          |
|---|--------------|----------|
| A distributor of aftermarket automotive brake and chassis products.                 |              |          |
| 12% Senior Subordinated Note due 2012   | \$ 937,500   | 05/28/04 |
| Common Stock (B)  | 187,500 shs. | 05/28/04 |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) | 199,969 shs. | 05/28/04 |

### QUALSERV CORPORATION

|   |              |          |
|---|--------------|----------|
| A provider of foodservice equipment and supplies to major restaurant chains and their franchisees |              |          |
| 14% Senior Subordinated Note due 2012   | \$ 1,002,475 | 07/09/04 |
| Limited Partnership Interest (B)  | 4.90% int.   | 07/09/04 |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B)               | 280 shs.     | 07/09/04 |

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### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2005

|   | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|---|--|-------------------|
| Corporate Restricted Securities:(A) continued                                       |  |                   |
| -----   |  |                   |
| RIVER RANCH FRESH FOODS LLC   |  |                   |
| A supplier of fresh produce to the retail and foodservice channels.                 |  |                   |
| 13% Senior Subordinated Note due 2011   | \$ 975,000   | 09/29/04          |
| Limited Partnership Interest (B)  | 21,500 uts.  | 09/29/04          |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B) | 12,481 shs.  | 09/29/04          |
| 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<br>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.    |  |                   |
| 7.36% Senior Secured Tranche A Note due 2007 (C)                                    | \$ 457,646   | 06/02/99          |
| 12% Senior Secured Tranche B Note due 2007  | \$ 646,089   | 06/02/99          |
| Class B Common Stock (B)  | 846 shs.   | 06/02/99          |
| SAVAGE SPORTS HOLDING, INC.   |  |                   |
| A manufacturer of sporting firearms.  |  |                   |
| 12% Senior Subordinated Note due 2012   | \$ 814,655   | 09/10/04          |
| Common Stock (B)  | 310 shs.   | 09/10/04          |

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|   |             |          |
|---|-------------|----------|
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B)   | 71 shs.     | 09/10/04 |
|   |             |          |
| SPECIALTY FOODS GROUP, INC.<br>A manufacturer and distributor of branded meat products.   |             |          |
| Limited Partnership Interest of MHD Holdings LLC  | 0.76% int.  | 08/29/00 |
|   |             |          |
| STRATEGIC EQUIPMENT & SUPPLY CORPORATION, INC.<br>A provider of kitchen and restaurant design, equipment fabrication and installation services. |             |          |
| Warrant, exercisable until 2008, to purchase<br>common stock at \$.01 per share (B)   | 61,862 shs. | 01/14/00 |
|   |             |          |
| SYNVENTIVE EQUITY LLC<br>A manufacturer of hot runner systems used in the plastic injection molding process.                                    |             |          |
| Limited Partnership Interest (B)  | 1.05% int.  | 08/20/03 |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B)   | 45,942 shs. | 08/21/03 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

|  | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisiti<br>Date |
|--|--|-------------------|
| Corporate Restricted Securities:(A) continued  |  |                   |
| -----  |  |                   |
| TANGENT RAIL CORPORATION<br>A manufacturer of rail ties and provides specialty services to the North American railroad industry  |  |                   |
| 13% Senior Subordinated Note due 2013  | \$ 1,173,909   | 10/14/05          |
| Preferred Stock (B)  | 1,749 shs.   | 10/14/05          |
| Common Stock (B)   | 1,167 shs.   | 10/14/05          |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B)  | 618 shs.   | 10/14/05          |
|  |  |                   |
| TERRA RENEWAL SERVICES, INC.<br>A provider of wastewater residual management and required environmental reporting, permitting,<br>nutrient management planning and record keeping to companies involved in poultry and food processing |  |                   |
| 7.78% Senior Secured Term A Note due 2010 (C)  | \$ 116,797   | 03/01/05          |
| 7.78% Senior Secured Term B Note due 2012 (C)  | \$ 207,421   | 03/01/05          |
| 12% Senior Subordinated Note due 2013  | \$ 585,937   | 03/01/05          |
| Limited Partnership Interest of<br>Saw Mill Capital Fund V, L.P. (B)   | 2.30% int.   | 03/01/05          |
| Warrant, exercisable until 2015, to purchase<br>common stock at \$.01 per share (B)  | 37 shs.  | 03/01/05          |

THE TRANZONIC COMPANIES

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

A producer of commercial and industrial supplies, such as safety products, janitorial supplies, work apparel, washroom and restroom supplies and sanitary care products.

|  |    |           |          |
|--|----|-----------|----------|
| 13% Senior Subordinated Note due 2009  | \$ | 1,356,000 | 02/05/98 |
| Common Stock (B)   |    | 315 shs.  | 02/04/98 |
| Warrant, exercisable until 2006, to purchase common stock at \$.01 per share (B) |    | 222 shs.  | 02/05/98 |

### TOMAH HOLDINGS, INC.

A manufacturer of specialty chemicals.

|                                       |    |             |          |
|---------------------------------------|----|-------------|----------|
| 16% Senior Subordinated Note due 2011 | \$ | 797,091     | *        |
| 16% Preferred Stock Series A (B)      |    | 20 shs.     | 12/08/03 |
| Common Stock (B)                      |    | 11,246 shs. | **       |

\*12/08/03 and 12/30/05. \*\*12/08/03 and 07/01/05.

### TRANSTAR HOLDING COMPANY

A distributor of aftermarket automotive transmission parts.

|  |    |          |          |
|--|----|----------|----------|
| 12% Senior Subordinated Note due 2013  | \$ | 918,000  | 08/31/05 |
| Common Stock (B)   |    | 432 shs. | 08/31/05 |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B) |    | 46 shs.  | 08/31/05 |

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## MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2005

|   |  | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal<br>Amount | Acquisition<br>Date |
|---|--|--|---------------------|
| Corporate Restricted Securities:(A) continued |  |  |                     |
| -----   |  |  |                     |

### TRONAIR, INC.

A designer, engineer and manufacturer of ground support equipment for the business, commuter and

|  |    |              |          |
|--|----|--------------|----------|
| 10.5% Senior Secured Term Note due 2008  | \$ | 676,983      | 01/20/00 |
| 12% Senior Subordinated Note due 2010  | \$ | 758,100      | 01/20/00 |
| Common Stock (B)   |    | 129,960 shs. | 01/20/00 |
| Warrant, exercisable until 2010, to purchase common stock at \$1 per share (B) |    | 148,912 shs. | 01/20/00 |

### TRUCK BODIES & EQUIPMENT INTERNATIONAL

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

|  |    |           |   |
|--|----|-----------|---|
| 12% Senior Subordinated Note due 2013  | \$ | 1,222,698 | * |
| Common Stock (B)   |    | 393 shs.  | * |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B) |    | 81 shs.   | * |

\*07/19/05 and 12/22/05.

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

### TRUSTILE DOORS, INC.

A manufacturer and distributor of interior doors.

|   |    |         |            |          |
|---|----|---------|------------|----------|
| 12.5% Senior Subordinated Note due 2010   | \$ | 562,500 |            | 04/11/03 |
| Warrant, exercisable until 2010, to purchase<br>common stock at \$.01 per share (B) |    |         | 3,060 shs. | 04/11/03 |

### TUBULAR TEXTILE MACHINERY

A designer, manufacturer, sale and servicer of finishing machinery for the knit and woven segment

|   |    |         |              |          |
|---|----|---------|--------------|----------|
| 12% Senior Subordinated Note due 2014   | \$ | 705,457 |              | 05/28/04 |
| 8.75% Senior Secured Note due 2011  | \$ | 409,310 |              | 05/28/04 |
| Common Stock (B)  |    |         | 385,233 shs. | 05/28/04 |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) |    |         | 116,521 shs. | 05/28/04 |

### TVI, INC.

A retailer of used clothing in the United States, Canada and Australia.

|                  |  |  |              |          |
|------------------|--|--|--------------|----------|
| Common Stock (B) |  |  | 187,500 shs. | 05/02/00 |
|------------------|--|--|--------------|----------|

### U S M HOLDINGS CORPORATION

A provider of facility maintenance services to retail and corporate clients with multiple locations

|   |    |         |            |          |
|---|----|---------|------------|----------|
| 12% Senior Subordinated Note due 2011   | \$ | 473,684 |            | 08/06/03 |
| Preferred Stock   |    |         | 1,361 shs. | 08/06/03 |
| Common Stock (B)  |    |         | 546 shs.   | 08/06/03 |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share |    |         | 502 shs.   | 08/06/03 |

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MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2005

|   |  |  | Shares, Units,<br>Warrants,<br>Ownership<br>or Principal | Acquisiti<br>Date |
|---|--|--|--|-------------------|
| Corporate Restricted Securities:(A) continued |  |  | Amount   | Date              |

### U-LINE CORPORATION

A manufacturer of high-end, built-in, undercounter icemaking, wine storage and refrigeration appl

|   |    |         |          |          |
|---|----|---------|----------|----------|
| 12.5% Senior Subordinated Note due 2012   | \$ | 996,500 |          | 04/30/04 |
| Common Stock (B)  |    |         | 96 shs.  | 04/30/04 |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) |    |         | 122 shs. | 04/30/04 |

### VICTORY VENTURES LLC

An acquirer of controlling or substantial interests in other entities.

|                              |  |  |            |          |
|------------------------------|--|--|------------|----------|
| Series A Preferred Units (B) |  |  | 0.04% int. | 12/02/96 |
|------------------------------|--|--|------------|----------|

### VITALITY FOODSERVICE, INC.

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

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

|   |             |          |
|---|-------------|----------|
| 13% Senior Subordinated Note due 2011   | \$ 999,153  | 09/24/04 |
| Common Stock (B)  | 12,585 shs. | 09/24/04 |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B) | 12,593 shs. | 09/24/04 |

VITEX PACKAGING GROUP, INC.

A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags and medical

|  |            |          |
|--|------------|----------|
| 12.5% Senior Subordinated Note due 2012  | \$ 900,000 | 07/19/04 |
| Limited Partnership Interest Class A (B) | 0.93% int. | 07/19/04 |
| Limited Partnership Interest Class B (B) | 0.41% int. | 07/19/04 |

WALLS INDUSTRIES, INC.

A provider of branded workwear and sporting goods apparel.

|   |            |          |
|---|------------|----------|
| 10% Senior Subordinated Lien Note due 2009  | \$ 532,895 | 07/12/04 |
| 14% Senior Subordinated Note due 2012   | \$ 566,163 | 07/12/04 |
| Limited Partnership Interest (B)  | 0.20% int. | 07/12/04 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B) | 2,133 shs. | 07/12/04 |

Total Private Placement Investments

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### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2005

|                                   | Interest<br>Rate | Due<br>Date | Shares or<br>Principal<br>Amount |
|-----------------------------------|------------------|-------------|----------------------------------|
| -----                             |                  |             |                                  |
| Rule 144A Securities - 8.05%: (A) |                  |             |                                  |
| -----                             |                  |             |                                  |
| BONDS - 6.95%                     |                  |             |                                  |
| A E S Corporation                 | 8.750%           | 05/15/13    | \$ 425,000                       |
| A E S Corporation                 | 9.000            | 05/15/15    | 175,000                          |
| Activant Solutions, Inc. (C)      | 10.054           | 04/01/10    | 400,000                          |
| Atlas Pipeline Partners           | 8.125            | 12/15/15    | 100,000                          |
| Blockbuster, Inc.                 | 9.000            | 09/01/12    | 275,000                          |
| Bombardier Capital, Inc.          | 6.125            | 06/29/06    | 500,000                          |
| Bombardier, Inc.                  | 6.300            | 05/01/14    | 500,000                          |
| Charter Communications Op LLC     | 8.000            | 04/30/12    | 500,000                          |
| Douglas Dynamics LLC              | 7.750            | 01/15/12    | 325,000                          |
| Hertz Corporation                 | 10.500           | 01/01/16    | 25,000                           |
| Intelsat Bermuda, Ltd.            | 8.695            | 01/15/12    | 225,000                          |
| Intelsat Bermuda, Ltd.            | 8.250            | 01/15/13    | 250,000                          |
| Interactive Health LLC            | 7.250            | 04/01/11    | 500,000                          |
| Markwest Energy                   | 6.875            | 11/01/14    | 250,000                          |
| Neiman Marcus Group, Inc.         | 10.375           | 10/15/15    | 600,000                          |
| NOVAChemicals Corporation         | 7.561            | 11/15/13    | 250,000                          |
| P Q Corporation                   | 7.500            | 02/15/13    | 685,000                          |
| Pacific Energy Partners           | 6.250            | 09/15/15    | 100,000                          |
| Pogo Producing Co.                | 6.875            | 10/01/17    | 250,000                          |

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|                                       |        |          |              |
|---------------------------------------|--------|----------|--------------|
| Service Corporation International     | 7.500  | 06/15/17 | 500,000      |
| Siebe PLC                             | 6.500  | 01/15/10 | 350,000      |
| Sierra Pacific Resources              | 6.750  | 08/15/17 | 330,000      |
| Sungard Data Systems                  | 9.125  | 08/15/13 | 75,000       |
| T C W Lev Income Trust L.P. (B)       | 8.410  | 11/30/06 | 581,430      |
| Tenaska Alabama Partners L.P.         | 7.000  | 06/30/21 | 175,830      |
| Texas Genco LLC                       | 6.875  | 12/15/14 | 350,000      |
| Texas Industries, Inc.                | 7.250  | 07/15/13 | 35,000       |
| TOTAL BONDS                           |        |          | \$ 8,732,260 |
|                                       |        |          |              |
| CONVERTIBLE BONDS - 1.10%             |        |          |              |
| Cymer, Inc.                           | 3.500% | 02/15/09 | \$ 450,000   |
| ICOS Corporation                      | 2.000  | 07/01/23 | 375,000      |
| Q L T, Inc.                           | 3.000  | 09/15/23 | 305,000      |
| Wesco International, Inc.             | 2.625  | 10/15/25 | 250,000      |
| TOTAL CONVERTIBLE BONDS               |        |          | \$ 1,380,000 |
|                                       |        |          |              |
| WARRANTS - 0.00%                      |        |          |              |
| Winslow Furniture, Inc. (B)           |        |          | 700          |
| TOTAL WARRANTS                        |        |          |              |
| TOTAL RULE 144A SECURITIES            |        |          |              |
| TOTAL CORPORATE RESTRICTED SECURITIES |        |          |              |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

|                                     | Interest<br>Rate | Due<br>Date | Principal<br>Amount |
|-------------------------------------|------------------|-------------|---------------------|
| -----                               |                  |             |                     |
| BONDS - 24.12%                      |                  |             |                     |
| Abitibi-Consolidated, Inc.          | 7.750%           | 06/15/11    | \$ 500,000          |
| Activant Solutions, Inc.            | 10.500           | 06/15/11    | 325,000             |
| Aearo Co.                           | 8.250            | 04/15/12    | 225,000             |
| Allied Waste NA                     | 7.875            | 04/15/13    | 500,000             |
| American Media Operation, Inc.      | 8.875            | 01/15/11    | 475,000             |
| Appleton Papers, Inc.               | 8.125            | 06/15/11    | 250,000             |
| Argo Tech Corporation               | 9.250            | 06/01/11    | 425,000             |
| Arrow Electronics, Inc.             | 7.000            | 01/15/07    | 500,000             |
| BCP Crystal US Holdings Corporation | 9.625            | 06/15/14    | 355,000             |
| C S C Holdings, Inc.                | 7.625            | 04/01/11    | 250,000             |
| Cablevision Systems Corporation (C) | 8.716            | 04/01/09    | 450,000             |
| Cadmus Communications Corporation   | 8.375            | 06/15/14    | 350,000             |
| Chemed Corporation                  | 8.750            | 02/24/11    | 600,000             |
| Chesapeake Energy Corporation       | 7.000            | 08/15/14    | 650,000             |
| Cincinnati Bell, Inc.               | 8.375            | 01/15/14    | 550,000             |
| Clayton Williams Energy, Inc.       | 7.750            | 08/01/13    | 375,000             |
| Del Monte Corporation               | 8.625            | 12/15/12    | 200,000             |
| Dollar Financial Group              | 9.750            | 11/15/11    | 325,000             |
| Dominos, Inc.                       | 8.250            | 07/01/11    | 109,000             |
| Electronic Data Systems Corporation | 7.125            | 10/15/09    | 500,000             |

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|                                       |        |          |         |
|---------------------------------------|--------|----------|---------|
| Esterline Technologies                | 7.750  | 06/15/13 | 175,000 |
| Ford Motor Credit Co.                 | 5.800  | 01/12/09 | 500,000 |
| Ford Motor Credit Co.                 | 7.375  | 10/28/09 | 750,000 |
| G F S I, Inc.                         | 9.625  | 03/01/07 | 375,000 |
| Gencorp, Inc.                         | 9.500  | 08/15/13 | 130,000 |
| General Motors Acceptance Corporation | 5.850  | 01/14/09 | 750,000 |
| Goodyear Tire & Rubber Co.            | 7.857  | 08/15/11 | 350,000 |
| GulfMark Offshore, Inc.               | 7.750  | 07/15/14 | 300,000 |
| Houghton Mifflin Co.                  | 9.875  | 02/01/13 | 500,000 |
| Huntsman LLC                          | 11.625 | 10/15/10 | 163,000 |
| Intrawest Corporation                 | 7.500  | 10/15/13 | 250,000 |
| K 2, Inc.                             | 7.375  | 07/01/14 | 150,000 |
| Koppers, Inc.                         | 9.875  | 10/15/13 | 250,000 |
| Lazard LLC                            | 7.125  | 05/15/15 | 375,000 |
| Leucadia National Corporation         | 7.000  | 08/15/13 | 350,000 |
| Liberty Media Corporation             | 5.700  | 05/15/13 | 500,000 |
| Lodgenet Entertainment Corporation    | 9.500  | 06/15/13 | 375,000 |
| Lyondell Chemical Co.                 | 9.500  | 12/15/08 | 265,000 |
| M G M Mirage, Inc.                    | 6.000  | 10/01/09 | 225,000 |
| M S X International, Inc.             | 11.000 | 10/15/07 | 175,000 |
| Mac-Gray Corporation                  | 7.625  | 08/15/15 | 300,000 |
| Magnachip Semiconductor               | 8.000  | 12/15/14 | 50,000  |
| Majestic Star Casino LLC              | 9.500  | 10/15/10 | 250,000 |
| Manitowoc Company, Inc.               | 7.125  | 11/01/13 | 100,000 |
| Mediacom LLC                          | 9.500  | 01/15/13 | 750,000 |
| Metaldyne Corporation                 | 10.000 | 11/01/13 | 340,000 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

| Corporate Public Securities: (A) continued | Interest Rate | Due Date | Principal Amount |
|--|---------------|----------|------------------|
| -----                                      |               |          |                  |
| BONDS, CONTINUED                           |               |          |                  |
| Moog, Inc.                                 | 6.250%        | 01/15/15 | \$ 60,000        |
| Nalco Co.                                  | 7.750         | 11/15/11 | 250,000          |
| National Wine & Spirits, Inc.              | 10.125        | 01/15/09 | 25,000           |
| Nextel Communications, Inc.                | 7.375         | 08/01/15 | 400,000          |
| North American Energy Partners             | 8.750         | 12/01/11 | 200,000          |
| O E D Corp/Diamond Jo Company Guarantee    | 8.750         | 04/15/12 | 500,000          |
| Offshore Logistics, Inc.                   | 6.125         | 06/15/13 | 350,000          |
| Pacific Energy Partners                    | 7.125         | 06/15/14 | 250,000          |
| Pinnacle Foods Group                       | 8.250         | 12/01/13 | 225,000          |
| Pliant Corporation                         | 11.625        | 06/15/09 | 607,802          |
| Primedia, Inc.                             | 8.000         | 05/15/13 | 500,000          |
| Quintiles Transnational Corporation        | 10.000        | 10/01/13 | 250,000          |
| Rayovac Corporation                        | 8.500         | 10/01/13 | 175,000          |
| Rent-A-Center, Inc.                        | 7.500         | 05/01/10 | 250,000          |
| Rent-Way, Inc.                             | 11.875        | 06/15/10 | 450,000          |
| Rhodia SA                                  | 8.875         | 06/01/11 | 250,000          |
| Rhodia SA                                  | 10.250        | 06/01/10 | 250,000          |
| Rock-Tenn Co.                              | 8.200         | 08/15/11 | 500,000          |
| Rogers Wireless, Inc.                      | 7.250         | 12/15/12 | 90,000           |
| Rogers Wireless, Inc.                      | 7.500         | 03/15/15 | 560,000          |
| Rogers Wireless, Inc.                      | 8.000         | 12/15/12 | 90,000           |
| Samsonite Corporation                      | 8.875         | 06/01/11 | 500,000          |

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|                                  |        |          |               |
|----------------------------------|--------|----------|---------------|
| Sheridan Acquisition Corporation | 10.250 | 08/15/11 | 225,000       |
| Sports Club Co.                  | 11.375 | 03/15/06 | 100,000       |
| Tekni-Plex, Inc.                 | 12.750 | 06/15/10 | 500,000       |
| Telex Communications, Inc.       | 11.500 | 10/15/08 | 250,000       |
| Tenet Healthcare Corporation     | 6.375  | 12/01/11 | 250,000       |
| Tenet Healthcare Corporation     | 9.875  | 07/01/14 | 350,000       |
| Transmontaigne, Inc.             | 9.125  | 06/01/10 | 255,000       |
| Triton P C S, Inc.               | 8.500  | 06/01/13 | 500,000       |
| Tyco International Group SA      | 6.375  | 10/15/11 | 150,000       |
| Unisys Corporation               | 8.000  | 10/15/12 | 90,000        |
| United Components, Inc.          | 9.375  | 06/15/13 | 500,000       |
| United Rentals, Inc.             | 7.750  | 11/15/13 | 325,000       |
| Universal City Florida (C)       | 9.000  | 05/01/10 | 100,000       |
| Universal City Florida           | 8.375  | 05/01/10 | 100,000       |
| Utilicorp United, Inc.           | 9.950  | 02/01/11 | 500,000       |
| Vicorp Restaurants, Inc.         | 10.500 | 04/15/11 | 300,000       |
| Vought Aircraft Industries       | 8.000  | 07/15/11 | 650,000       |
| Warner Music Group               | 7.375  | 04/15/14 | 125,000       |
| Wornick Co.                      | 10.875 | 07/15/11 | 350,000       |
| <br>                             |        |          | -----         |
| TOTAL BONDS                      |        |          | \$ 28,964,802 |
|                                  |        |          | -----         |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

|  | Interest   | Due      | Shares or           |
|--|------------|----------|---------------------|
|  | Rate       | Date     | Principal           |
|  |            |          | Amount              |
| -----                                      |            |          |                     |
| Corporate Public Securities: (A) continued |            |          |                     |
| -----                                      |            |          |                     |
| COMMON STOCK - 3.31%                       |            |          |                     |
| Copa Holdings SA (B)                       |            |          | 3,400               |
| DealerTrack Holdings, Inc. (B)             |            |          | 1,600               |
| Distributed Energy Systems Corporation (B) |            |          | 14,000              |
| H C I Direct, Inc. (B)                     |            |          | 500                 |
| PW Eagle, Inc. (B)                         |            |          | 101,236             |
| Rent-Way, Inc. (B)                         |            |          | 46,432              |
| Transmontaigne, Inc. (B)                   |            |          | 203,165             |
| TOTAL COMMON STOCK                         |            |          |                     |
| CONVERTIBLE BONDS - 0.68%                  |            |          |                     |
| Citadel Broadcasting Corporation           | 1.875%     | 02/15/11 | \$ 300,000          |
| Leucadia National Corporation              | 3.750      | 04/15/14 | 500,000             |
| TOTAL CONVERTIBLE BONDS                    |            |          | -----<br>\$ 800,000 |
| TOTAL CORPORATE PUBLIC SECURITIES          |            |          |                     |
|  |            |          |                     |
|  | Interest   | Due      | Principal           |
|  | Rate/Yield | Date     | Amount              |
|  |            |          |                     |
| -----                                      |            |          |                     |
| Short-Term Securities:                     |            |          |                     |
| COMMERCIAL PAPER - 12.11%                  |            |          |                     |
| Centex Corporation                         | 4.392%     | 01/13/06 | \$ 1,780,000        |



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|  |         |          |               |
|--|---------|----------|---------------|
| Consolidated Natural Gas Co.           | 4.484   | 01/06/06 | 2,450,000     |
| DaimlerChrysler NA Holding Corporation | 4.443   | 01/13/06 | 2,264,000     |
| Florida Power & Light Co.              | 4.378   | 01/13/06 | 1,004,000     |
| Fortune Brands, Inc.                   | 4.503   | 01/03/06 | 1,405,000     |
| Kinder Morgan Energy Partners L.P.     | 4.503   | 01/04/06 | 2,435,000     |
| Newell Rubbermaid, Inc.                | 4.411   | 01/13/06 | 608,000       |
| Wisconsin Gas Co.                      | 4.337   | 01/12/06 | 2,479,000     |
| Total Short-Term Securities            |         |          | \$ 14,425,000 |
| Total Investments                      |         |          | 111.26%       |
| Other Assets                           | 4.80    |          |               |
| Liabilities                            | (16.06) |          |               |
| Total Net Assets                       |         |          | 100.00%       |

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

(B) Non-income producing security.

(C) Variable rate security; rate indicated is as of 12/31/05.

See Notes to Consolidated Financial Statements.

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### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2005

| Industry Classification:                    | Fair Value/<br>Market Value | Industry Classification: co |
|---|-----------------------------|-----------------------------|
| <hr style="border-top: 1px dashed black;"/> |                             |                             |
| AEROSPACE - 2.52%                           |                             | CHEMICAL, PLASTICS & RUBBER |
| Argo Tech Corporation                       | \$ 435,625                  | Capital Specialty Plastics, |
| Bombardier, Inc.                            | 437,500                     | Huntsman LLC                |
| Consolidated Foundries Holdings             | 1,334,648                   | Koppers, Inc.               |
| Esterline Technologies                      | 182,875                     | Lyondell Chemical Co.       |
| Vought Aircraft Industries                  | 607,750                     | NOVA Chemicals Corporation  |
|   | 2,998,398                   | P Q Corporation             |
|   | 2,998,398                   | Rhodia SA                   |
|   |                             | Tomah Holdings, Inc.        |
| <br>  |                             |                             |
| AUTOMOBILE - 7.36%                          |                             |                             |
| Gencorp, Inc.                               | 139,750                     |                             |
| Goodyear Tire & Rubber Co.                  | 341,250                     |                             |
| Jason, Inc.                                 | 1,056,014                   | CONSUMER PRODUCTS - 7.14%   |
| LIH Investors, L.P.                         | 2,469,850                   | Appleton Papers, Inc.       |
| Metaldyne Corporation                       | 307,700                     | Augusta Sportswear Holding  |
| Nyloncraft, Inc.                            | 1,521,832                   | Euro-Pro Corporation        |
| Qualis Automotive LLC                       | 1,125,086                   | G F S I, Inc.               |
| Transtar Holding Company                    | 1,296,620                   | H C I Direct, Inc.          |
| United Components, Inc.                     | 497,500                     | K 2, Inc.                   |
|   | 8,755,602                   | Maverick Acquisition Compan |
|   | 8,755,602                   | Rayovac Corporation         |
|   |                             | Royal Baths Manufacturing C |
| BEVERAGE, DRUG & FOOD - 4.95%               |                             | Savage Sports Holding, Inc. |

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|                                      |           |                              |
|--------------------------------------|-----------|------------------------------|
| Beta Brands Ltd.                     | --        | The Tranzonic Companies      |
| Cains Foods, L.P.                    | 500,413   | Walls Industries, Inc.       |
| Del Monte Corporation                | 212,500   | Winslow Furniture, Inc.      |
| Dominos, Inc.                        | 113,905   |                              |
| Eagle Pack Pet Foods, Inc.           | 611,819   |                              |
| National Wine & Spirits, Inc.        | 25,250    |                              |
| Nonni's Food Company                 | 1,195,390 | CONTAINERS, PACKAGING & GLA  |
| Pinnacle Foods Group                 | 214,312   | Paradigm Packaging, Inc.     |
| River Ranch Fresh Foods LLC          | 1,029,873 | Pliant Corporation           |
| Specialty Foods Group, Inc.          | --        | Tekni-Plex, Inc.             |
| Vicorp Restaurants, Inc.             | 278,250   | Vitex Packaging, Inc.        |
| Vitality Foodservice, Inc.           | 1,346,779 |                              |
| Wornick Co.                          | 358,750   |                              |
|                                      | -----     |                              |
|                                      | 5,887,241 | DISTRIBUTION - 3.63%         |
|                                      | -----     | Corvest Group, Inc.          |
| BROADCASTING & ENTERTAINMENT - 2.55% |           | Kele and Associates, Inc.    |
| C S C Holdings, Inc.                 | 248,750   | O R S Nasco Holding, Inc.    |
| Cablevision Systems Corporation      | 454,500   | QualServ Corporation         |
| Charter Communications Op LLC        | 497,500   | Strategic Equipment & Suppl  |
| Citadel Broadcasting Corporation     | 232,875   |                              |
| Liberty Media Corporation            | 465,881   |                              |
| Lodgenet Entertainment Corporation   | 407,813   |                              |
| Mediacom LLC                         | 732,187   | DIVERSIFIED/CONGLOMERATE, M  |
|                                      | -----     | Activant Solutions, Inc.     |
|                                      | 3,039,506 | AmerCable, Inc.              |
|                                      | -----     | Arrow Tru-Line Holdings, In  |
| BUILDINGS & REAL ESTATE - 2.91%      |           | Coining Corporation of Amer  |
| AW C Holding Company                 | 1,451,934 | Dexter Magnetics Technologi  |
| Adorn, Inc.                          | 1,402,171 | Douglas Dynamics LLC         |
| Texas Industries, Inc.               | 36,313    | Evans Consoles, Inc.         |
| TruStile Doors, Inc.                 | 577,820   | Justrite Manufacturing Acqui |
|                                      | -----     | Rock-Tenn Co.                |
|                                      | 3,468,238 | Truck Bodies & Equipment In  |
|                                      | -----     | Tyco International Group SA  |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

| Industry Classification:                  | Fair Value/<br>Market Value | Industry Classification: co |
|---|-----------------------------|-----------------------------|
| -----                                     | -----                       | -----                       |
| DIVERSIFIED/CONGLOMERATE, SERVICE - 6.38% |                             | HEALTHCARE, EDUCATION & CHI |
| Abitibi-Consolidated, Inc.                | \$ 476,250                  | A T I Acquisition Company   |
| Allied Waste NA                           | 516,250                     | American Hospice Management |
| CapeSuccess LLC                           | 2,512                       | ICOS Corporation            |
| Chemed Corporation                        | 643,500                     | Interactive Health LLC      |
| Diversco, Inc./DHI Holdings, Inc.         | 1,252,858                   | MedAssist, Inc.             |
| Dwyer Group, Inc.                         | 1,410,703                   | Q L T, Inc.                 |
| Keystone North America, Inc.              | 171,462                     | Quintiles Transnational Cor |
| Mac-Gray Corporation                      | 302,250                     | Tenet Healthcare Corporatio |
| Moss, Inc.                                | 1,022,965                   |                             |

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|                                       |           |                               |
|---------------------------------------|-----------|-------------------------------|
| M S X International, Inc.             | 174,124   |                               |
| Service Corporation International     | 496,250   |                               |
| U S M Holdings Corporation            | 625,041   | HOME & OFFICE FURNISHINGS,    |
| Universal City Florida                | 198,250   | AND DURABLE CONSUMER PRODUCT  |
| Wesco International, Inc.             | 300,938   | Connor Sport Court Internat   |
|                                       | -----     | Home Decor Holding Company    |
|                                       | 7,593,353 | Samsonite Corporation         |
|                                       | -----     | U-Line Corporation            |
| ELECTRONICS - 4.15%                   |           |                               |
| A E S Corporation                     | 654,344   |                               |
| Arrow Electronics, Inc.               | 509,002   |                               |
| Directed Electronics, Inc.            | 1,796,246 | LEISURE, AMUSEMENT, ENTERTAIN |
| Distributed Energy Systems            | 105,840   | Intrawest Corporation         |
| Electronic Data Systems Corporation   | 531,299   | Keepsake Quilting, Inc.       |
| Precision Dynamics, Inc.              | 646,182   | M G M Mirage, Inc.            |
| Siebe PLC                             | 311,500   | Majestic Star Casino LLC      |
| Texas Genco LLC                       | 378,875   | O E D Corp/Diamond Jo Compa   |
|                                       | -----     | Warner Music Group            |
|                                       | 4,933,288 |                               |
|                                       | -----     |                               |
| FARMING & AGRICULTURE - 0.00%         |           |                               |
| Protein Genetics, Inc.                | --        | MACHINERY - 8.66%             |
| FINANCIAL SERVICES - 3.90%            |           |                               |
| BCP Crystal US Holding Corporation    | 394,938   | Aearo Co.                     |
| Bombardier Capital, Inc.              | 500,000   | C & M Conveyor, Inc.          |
| Dollar Financial Group                | 334,750   | Integration Technology Syst   |
| East River Ventures I, L.P.           | 5,423     | Manitowoc Company, Inc.       |
| Ford Motor Credit Co.                 | 1,101,335 | Maxon Corporation             |
| General Motors Acceptance Corporation | 670,970   | PW Eagle, Inc.                |
| Highgate Capital LLC                  | 737       | Safety Speed Cut Manufactur   |
| Lazard LLC                            | 393,784   | Synventive Equity LLC         |
| Leucadia National Corporation         | 925,125   | Tronair, Inc.                 |
| T C W Leveraged Income Trust, L.P.    | 313,972   | Tubular Textile Machinery     |
| Victory Ventures LLC                  | 2         |                               |
|                                       | -----     | MEDICAL DEVICES/BIOTECH - 2   |
|                                       | 4,641,036 | Beacon Medical Products, In   |
|                                       | -----     | Coeur, Inc.                   |
|                                       |           | E X C Acquisition Corporati   |
|                                       |           | MicroGroup, Inc.              |
|                                       |           |                               |
|                                       |           | MINING, STEEL, IRON & NON P   |
|                                       |           | Better Minerals & Aggregate   |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

| Industry Classification: continued | Fair Value/<br>Market Value | Industry Classification: co |
|------------------------------------|-----------------------------|-----------------------------|
| -----                              | -----                       | -----                       |
| OIL AND GAS - 5.89%                |                             | TELECOMMUNICATIONS - 3.69%  |
| C & J Spec-Rent Services, Inc.     | \$ 1,775,533                | Cincinnati Bell, Inc.       |
| Chesapeake Energy Corporation      | 672,750                     | Intelsat Bermuda, Ltd.      |

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|                                   |           |                              |
|-----------------------------------|-----------|------------------------------|
| Clayton Williams Energy, Inc.     | 360,000   | ITC^DeltaCom, Inc.           |
| GulfMark Offshore, Inc.           | 312,000   | Nextel Communications, Inc.  |
| Mustang Ventures Company          | 1,185,877 | Rogers Wireless, Inc.        |
| North American Energy Partners    | 188,500   | Telex Communications, Inc.   |
| Offshore Logistics, Inc.          | 327,250   | Triton P C S, Inc.           |
| Pacific Energy Partners           | 356,000   |                              |
| Pogo Producing Co.                | 243,750   |                              |
| Transmontaigne, Inc.              | 1,591,427 |                              |
|                                   | -----     |                              |
|                                   | 7,013,087 | TRANSPORTATION - 1.21%       |
|                                   | -----     | Copa Holdings SA             |
| PHARMACEUTICALS - 1.12%           |           | Hertz Corporation            |
| CorePharma LLC                    | 1,334,060 | Tangent Rail Corporation     |
| Enzymatic Therapy, Inc.           | 2,967     |                              |
|                                   | -----     |                              |
|                                   | 1,337,027 | UTILITIES - 1.43%            |
|                                   | -----     | Atlas Pipeline Partners      |
| PUBLISHING/PRINTING - 1.64%       |           | Markwest Energy              |
| American Media Operation, Inc.    | 403,750   | Moog, Inc.                   |
| Cadmus Communications Corporation | 359,625   | Nalco Co.                    |
| Houghton Mifflin Co.              | 534,375   | Sierra Pacific Resources     |
| Primedia, Inc.                    | 423,125   | Tenaska Alabama Partners L.  |
| Sheridan Acquisition Corporation  | 231,469   | Utilicorp United, Inc.       |
|                                   | -----     |                              |
|                                   | 1,952,344 |                              |
|                                   | -----     |                              |
| RETAIL STORES - 4.46%             |           | WASTE MANAGEMENT/POLLUTION   |
| Blockbuster, Inc.                 | 242,000   | Terra Renewal Services, Inc. |
| Neff Motivation, Inc.             | 625,727   |                              |
| Neiman Marcus Group, Inc.         | 609,750   | Total Corporate Restricted   |
| Olympic Sales, Inc.               | 2,198,813 | and Public Securities - 99.  |
| Rent-A-Center, Inc.               | 238,750   |                              |
| Rent-Way, Inc.                    | 775,388   |                              |
| Sports Club Co.                   | 99,125    | See Notes to Consolidated F  |
| TVI, Inc.                         | 202,500   |                              |
| United Rentals, Inc.              | 316,875   |                              |
|                                   | -----     |                              |
|                                   | 5,308,928 |                              |
|                                   | -----     |                              |
| TECHNOLOGY - 0.57%                |           |                              |
| Cymer, Inc.                       | 440,438   |                              |
| DealerTrack Holdings, Inc.        | 33,568    |                              |
| Magnachip Semiconductor           | 47,750    |                              |
| Sungard Data Systems              | 77,625    |                              |
| Unisys Corporation                | 83,250    |                              |
|                                   | -----     |                              |
|                                   | 682,631   |                              |
|                                   | -----     |                              |

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MassMutual Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2005

### 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.

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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 such income, and capital appreciation, by investing primarily in a portfolio of privately placed below investment grade, long-term corporate debt obligations purchased directly from their issuers, at least half of which normally will include equity features.

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 market price whenever market quotations are readily available and all securities of the same class held by the Trust can be readily sold in such market.

Nearly all securities which are acquired by the Trust directly from the issuers and shares into which such securities may be converted or which may be purchased on the exercise of warrants 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, absent an exemption from registration, 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").

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 as of the time of its acquisition and at least quarterly thereafter. The Trustees have established guidelines to aid in the valuation of each security. Generally, restricted securities are initially valued at cost or less at the time of acquisition by the Trust. Values greater or less than cost are thereafter used for restricted securities in appropriate circumstances. Among the factors ordinarily considered are the existence of restrictions upon the sale of a security held by the Trust; an estimate of the existence and the extent of a market for the security; the extent of any discount at which the security was acquired; the estimated period of time during which the security will not be freely marketable; the estimated expenses of registering or otherwise qualifying the security for public sale; estimated underwriting commissions if underwriting would be required to effect a sale; in the case of a convertible security, whether or not it would trade on the basis of its stock equivalent; in the case of a debt obligation which would trade independently of any equity equivalent, the current yields on comparable securities; the estimated amount of the floating supply of such securities available for purchase; the proportion of the issue held by the Trust; changes in the financial condition and prospects of the issuer; the existence of merger proposals or tender offers affecting the issuer; and any other factors affecting fair value, all

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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 fixing any discount, including the filing of a registration statement for such securities under the 1933 Act and any other developments which are likely to increase the probability that the securities may be publicly sold by the Trust without restriction.

The Trustees meet at least once in each quarter to value the Trust's portfolio securities as of the close of business on the last business day of the preceding quarter. This valuation requires the approval of a majority of the Trustees of the Trust, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital, the Trust's investment adviser. In making valuations, the Trustees will consider Babson Capital's reports 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 \$74,973,531 (62.99% of net assets) as of December 31, 2005 whose values have been determined by the Trustees in the absence of readily ascertainable market values. Due to the inherent uncertainty of valuation, those 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.

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MassMutual Participation Investors

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2005

The values for 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, 2005, 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.

#### 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 discount on bonds held. 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

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

### D. FEDERAL INCOME TAXES:

The Trust has elected to be taxed as a "regulated investment company" under the Internal Revenue Code and intends to maintain this qualification and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that Trustees either designate the net realized long-term gains as undistributed and pay the federal capital gains taxes thereon, or distribute all or a portion of such net gains. For the year ended December 31, 2005, the Trust had a net realized taxable long-term capital gain balance of \$9,234,268, which the Trustees voted to retain and pay the federal capital gain tax thereon. The Trust has accrued a provision for federal taxes of \$3,231,994 on the Statement of Operations related to the retained realized capital gains.

In 2005, the Trust re-classified a total of \$638,367 to undistributed net investment income. \$204,699 was re-classified from accumulated net realized gain on investments and \$433,668 was re-classified from additional paid in capital to more accurately display the Trust's capital financial position or a taxbasis in accordance with accounting principles generally accepted in the United States of America. These re-classifications had no impact on net asset value.

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

The MMPI Subsidiary Trust is not taxed as a regulated investment company. Accordingly, prior to the Trust's receiving any distributions from the MMPI Subsidiary Trust, all of the MMPI Subsidiary Trust's taxable income and realized gains, including non-qualified income and realized gains, is subject to taxation at prevailing corporate tax rates. For the year ended December 31, 2005, the MMPI Subsidiary Trust has accrued tax expense on net income of \$27,826, on net realized gains of \$318,869 and deferred tax expense on net unrealized gains of \$175,414.

### E. DISTRIBUTIONS TO SHAREHOLDERS:

The Trust records distributions to shareholders from net investment income and net realized gains, if any, on the exdividend 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.

The tax character of distributions paid during the years ended December 31, 2005 and 2004 was as follows.

|                          |      |      |
|--------------------------|------|------|
| DISTRIBUTIONS PAID FROM: | 2005 | 2004 |
|--------------------------|------|------|

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|                 |              |               |
|-----------------|--------------|---------------|
| Ordinary Income | \$ 9,818,640 | \$ 10,613,225 |
|-----------------|--------------|---------------|

As of December 31, 2005, the components of distributable earnings on a tax basis included \$968,724 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.

Net investment income of the Trust as presented under accounting principles generally accepted in the United States of America differs from distributable earnings due to earnings from the MMPI Subsidiary Trust as well as timing differences in the recognition of income on certain investments.

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MassMutual Participation Investors

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2005

#### 3. INVESTMENT ADVISORY AND ADMINISTRATIVE SERVICES FEE

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 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.

For its services under the Contract, Babson Capital is paid a quarterly Investment Advisory fee equal to .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 .90% on an annual basis. A majority of the Trustees, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital, approve the valuation of the Trust's net assets as of such day. In addition, during the year ended December 31, 2005, the Trust was reimbursed \$22,443 by an affiliate of Babson Capital due to a trading error.

#### 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, 2005, 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



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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 Notes proposed to be redeemed.

### B. REVOLVING CREDIT AGREEMENT:

The Trust entered into a \$15,000,000 Revolving Credit Agreement with Bank of America (formerly Fleet National Bank) (the "Agent Bank") dated May 29, 1997, which had a stated maturity date of May 31, 2004. The maturity date of this loan was extended to May 31, 2007, and its terms amended and restated pursuant to the First Amended and Restated Revolving Credit Agreement (the "Revolver") dated May 27, 2004, between the Trust and the Agent Bank.

The Revolver bears interest payable quarterly in arrears at a per annum rate that varies depending upon whether the Trust requests a Base Rate Loan or LIBOR Rate Loan. Interest on Base Rate loans equals the higher of: (i) the annual "Base Rate" as set periodically by the Agent Bank and (ii) the most recent Federal Funds Effective Rate plus .50% per annum. Per annum interest on LIBOR Rate Loans equals .60% plus the London Inter Bank Offered Rate ("LIBOR") rate, divided by 1 minus LIBOR Reserve Rate. The Trust also incurs expense on the undrawn portion of the total Revolver at a rate of .25% per annum.

As of December 31, 2005, there were no outstanding loans against the Revolver. The average daily outstanding balance was \$10,500,000 and the average blended rate of interest attributable to the Revolver was 3.27%. For the year ended December 31, 2005, the Trust incurred total interest expense on the Revolver of \$190,044, plus \$22,685 related to the undrawn portion.

### 5. PURCHASES AND SALES OF INVESTMENTS

| FOR THE YEAR<br>ENDED 12/31/2005 | COST OF INVESTMENTS<br>ACQUIRED      |
|----------------------------------|--------------------------------------|
| Corporate restricted securities  | \$ 30,337,054                        |
| Corporate public securities      | 7,789,156                            |
|                                  | -----                                |
|                                  | PROCEEDS FROM<br>SALES OR MATURITIES |
| Corporate restricted securities  | \$ 50,471,728                        |
| Corporate public securities      | 7,593,513                            |
|                                  | -----                                |

The aggregate cost of investments is substantially the same for financial reporting and federal income tax purposes as of December 31, 2005. The net unrealized appreciation of investments for financial reporting and federal tax purposes as of December 31, 2005 is \$1,506,911 and consists of \$12,021,463 appreciation and \$10,514,552 depreciation.

Net unrealized appreciation of investments of the Statement of Assets and Liabilities reflects the balance net of a deferred tax accrual of \$175,414 on net unrealized gains in the MMPI Subsidiary Trust.

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MassMutual Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2005

### 6. QUARTERLY RESULTS OF INVESTMENT OPERATIONS

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(UNAUDITED)

|   | Amount       | Per Share |
|---|--------------|-----------|
| -----   |              |           |
| March 31, 2005  |              |           |
| -----   |              |           |
| Investment income   | \$ 2,833,525 |           |
| Net investment income   | 2,192,726    | \$ 0.23   |
| Net realized and unrealized<br>gain on investments (net of taxes) | 1,002,116    | 0.10      |
| -----   |              |           |
| June 30, 2005   |              |           |
| -----   |              |           |
| Investment income   | 2,971,531    |           |
| Net investment income   | 2,302,919    | 0.23      |
| Net realized and unrealized<br>gain on investments (net of taxes) | 4,574,450    | 0.47      |
| -----   |              |           |
| September 30, 2005  |              |           |
| -----   |              |           |
| Investment income   | 3,010,835    |           |
| Net investment income   | 2,391,949    | 0.25      |
| Net realized and unrealized<br>gain on investments (net of taxes) | 2,781,680    | 0.29      |
| -----   |              |           |
| December 31, 2005   |              |           |
| -----   |              |           |
| Investment income   | 3,395,654    |           |
| Net investment income (net of taxes)                              | 2,755,688    | 0.28      |
| Net realized and unrealized<br>gain on investments (net of taxes) | 2,298,349    | 0.23      |

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

During 2005, the Trust paid its Trustees aggregate remuneration of \$111,625. During this period 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 Messers Crandall and Joyal and former Trustee Stuart H. Reese as "interested persons" of the Trust.

All of the Trust's officers are employees of Babson Capital or MassMutual. Pursuant to the Investment Advisory and Administrative Services Contract, the Trust does not compensate its officers who are employees of Babson Capital or MassMutual.

Mr. Crandall, one of the Trust's Trustees is an "affiliated person" (as defined by the 1940 Act) of MassMutual and Babson Capital. The Trust did not make any payments to Babson Capital for the year ended December 31, 2005, other than amounts payable to Babson Capital pursuant to the Investment Advisory and Administrative Services Contract. For the year ended December 31, 2005, the Trust paid the following amounts to MassMutual, exclusive of interest expense on the Note explained in Footnote 4.A:

|  |    |        |
|--|----|--------|
| Preparation of the Trust's Quarterly<br>and Annual Reports to Shareholders | \$ | 15,439 |
| Preparation of Certain of the<br>Trust's Shareholder communications        |    | 526    |
| Preparation of the Trust's<br>Annual Proxy Statements                      |    | 1,084  |

-----  
\$ 17,049  
-----

8. CONTINGENCIES

The Trust, together with other investors including MassMutual, was a plaintiff in litigation in connection with private placement investments made by the Trust in Sharp International Corporation ("Sharp"). Three managing shareholders of Sharp, which is currently being liquidated in Chapter 11 liquidation proceedings, have pleaded guilty to criminal fraud charges. Initially, two separate civil lawsuits were brought in New York state court in an attempt to recover damages for lost investment funds from Sharp's working capital lender and auditors. The first lawsuit involving Sharp's working capital lender was dismissed prior to trial. An appeal of this dismissal was unsuccessful. The second lawsuit against Sharp's auditors was settled in the Spring of 2005. Under the terms of the settlement agreement, the Trust would recover all legal fees it incurred to prosecute the lawsuit, as well as additional amounts. A related lawsuit brought by the Trustee of Sharp bankruptcy estate against Sharp's auditors on behalf of unsecured creditors, including the Trust, was also settled at the same time. Total proceeds to be distributed to the Trust as a result of the settlement of these two lawsuits against Sharp's auditors are expected to be approximately \$950,000. To date \$934,353 has been received by the Trust.

9. CERTIFICATIONS (UNAUDITED)

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

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MassMutual Participation Investors

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Trustees of MassMutual Participation Investors

We have audited the accompanying statement of assets and liabilities of MassMutual Participation Investors (the Trust), including the schedule of investments, as of December 31, 2005, and the related statements of operations and cash flows for the year then ended and the statements of changes in net assets and financial highlights for each of the years in the two-year period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the years in the three-year period ended December 31, 2003 were audited by other independent registered public

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accountants whose report, dated February 6, 2004, expressed an unqualified opinion on those financial highlights.

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 verification of securities owned as of December 31, 2005 by counting of securities at the custodian and confirmation of securities owned as of December 31, 2005, by correspondence with the custodian and brokers, or by other appropriate auditing procedures where replies from brokers were not received. 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 financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MassMutual Participation Investors as of December 31, 2005, and the results of its operations, its cash flows, the changes in its net assets, and the financial highlights for the years described above in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Boston, Massachusetts  
February 6, 2006

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### MassMutual Participation Investors

#### INTERESTED TRUSTEES

| NAME (AGE),<br>ADDRESS  | POSITION<br>WITH<br>THE TRUST | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS  | PORT<br>OVER<br>IN F<br>COMP |
|---|-------------------------------|--------------------------------------|---|------------------------------|
| ROGER W. CRANDALL* (41)<br>Massachusetts Mutual<br>Life Insurance Company<br>1295 State Street<br>Springfield, MA 01111 | Trustee<br>(since 2005)       | 3 years/<br>7 months**               | Executive Vice President<br>and Chief Investment<br>Officer (since 2005) of<br>MassMutual; and Chairman<br>(since 2005), Vice<br>Chairman (2005), Member<br>of the Board of Managers<br>(since 2004), Director<br>(2003-2004), and Managing<br>Director of Babson | 2                            |
| NOMINEE FOR TRUSTEE   |                               |                                      |   |                              |



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- \* MR. CRANDALL IS AN "INTERESTED PERSON" OF THE TRUST AND BABSON CAPITAL (AS DEFINED BY THE 1940 ACT) BECAUSE OF HIS POSITION AS AN OFFICER OF THE TRUST; AN EXECUTIVE OFFICER OF MASSMUTUAL; AND CHAIRMAN AND MEMBER OF THE BOARD OF MANAGERS OF BABSON CAPITAL.
- \*\* MR. CRANDALL WAS APPOINTED TO THE BOARD OF TRUSTEES ON JULY 15, 2005 TO FILL THE VACANT SEAT CREATED BY THE RESIGNATION OF STUART H. REESE, THE TERM OF WHICH EXPIRES IN 2006.
- \*\*\* MR. CRANDALL WAS ELECTED CHAIRMAN OF THE BOARD OF TRUSTEES ON JULY 15, 2005.

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MassMutual Participation Investors

INTERESTED TRUSTEES

| NAME (AGE),<br>ADDRESS   | POSITION<br>WITH<br>THE TRUST | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS  | PORT<br>OVER<br>IN F<br>COMP |
|--|-------------------------------|--------------------------------------|---|------------------------------|
| ROBERT E. JOYAL* (61)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115 | Trustee<br>(since 2003)       | 3 years/<br>1 year,<br>10 months     | President (2001-2003),<br>Managing Director<br>(2000-2001), and<br>Executive Director<br>(1999-2000) of Babson<br>Capital; and Executive<br>Director (1997- 1999) of<br>MassMutual. | 3                            |

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\* MR. JOYAL RETIRED AS PRESIDENT OF BABSON CAPITAL IN JUNE 2003. HE CONTINUES TO SERVE AS A DIRECTOR OR TRUSTEE OF SEVERAL ENTITIES AFFILIATED WITH MASSMUTUAL, BABSON CAPITAL'S INDIRECT PARENT COMPANY. ACCORDINGLY, THE TRUST CLASSIFIES MR. JOYAL AS AN "INTERESTED PERSON" OF THE TRUST AND BABSON CAPITAL (AS DEFINED BY THE 1940 ACT).

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MassMutual Participation Investors

INDEPENDENT TRUSTEES

| NAME (AGE),<br>ADDRESS   | POSITION<br>WITH<br>THE TRUST | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS                                     | PORT<br>OVER<br>IN F<br>COMP |
|--|-------------------------------|--------------------------------------|--|------------------------------|
| MICHAEL H. BROWN (49)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115 | Trustee<br>(since 2005)       | 3 years/<br>7 months*                | Private Investor; and<br>Managing Director<br>(1994-2005), Morgan<br>Stanley.            | 2                            |
| JACK A. LAUGHERY (71)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115 | Trustee<br>(since 1996)       | 3 years/<br>10 months                | President and Partner<br>(since 1996),<br>Laughery Investments<br>(private investments). | 2                            |

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\* MR. BROWN WAS ELECTED BY THE BOARD OF TRUSTEES TO FILL A NEWLY CREATED BOARD SEAT ON JULY 15, 2005.

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MassMutual Participation Investors

INDEPENDENT TRUSTEES

| NAME (AGE),<br>ADDRESS   | POSITION<br>WITH<br>THE TRUST | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS  | PORT<br>OVER<br>IN F<br>COMP |
|--|-------------------------------|--------------------------------------|---|------------------------------|
| CORINE T. NORGAARD (68)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115 | Trustee<br>(since 1998)       | 3 years/<br>10 months                | President, (2004-2005),<br>Thompson Enterprises Real<br>Estate Investment; and<br>Dean (1996-2004), Barney<br>School of Business,<br>University of Hartford.  | 3                            |
| DONALD E. BENSON (75)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115   | Trustee<br>(since 1988)       | 3 years/<br>1 year,<br>10 months     | Executive Vice President<br>and Director (since 1992),<br>Marquette Financial<br>Companies (financial<br>services); Partner (since<br>1996), Benson Family<br>Limited Partnership No. 1<br>and Benson Family Limited<br>Partnership No. 2<br>(investment partnerships); | 2                            |



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and Partner (1987-2004), Benson, Pinckney, Oates Partnership (building partnership).

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MassMutual Participation Investors

INDEPENDENT TRUSTEES

| NAME (AGE),<br>ADDRESS  | POSITION<br>WITH<br>THE TRUST | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS  | PORT<br>OVER<br>IN F<br>COMP |
|---|-------------------------------|--------------------------------------|---|------------------------------|
| DONALD GLICKMAN (72)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115 | Trustee<br>(since 1992)       | 3 years/<br>1 year,<br>10 months     | Chairman (since 1992),<br>Donald Glickman and<br>Company, Inc. (investment<br>banking); and Partner<br>(since 1992), J.F. Lehman<br>& Co. (private<br>investments). | 2                            |
| MARTIN T. HART (70)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115  | Trustee<br>(since 1991)       | 3 years/<br>2 years,<br>10 months    | Private Investor; and<br>President and Director<br>(since 1983), H Investment<br>Company LLC (family<br>partnership).   | 2                            |

NOMINEE  
FOR TRUSTEE

MassMutual Participation Investors

OFFICERS OF THE TRUST

| NAME (AGE),<br>ADDRESS   | POSITION<br>WITH<br>THE TRUST                                     | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS   |
|--|---|--------------------------------------|--|
| CLIFFORD M. NOREEN (48)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115 | President   | 1 year/<br>7 months                  | President (since 2005), Vice Pres<br>Managing Director (since 2000) of<br>(1996-1999) of MassMutual; Trustee<br>(since 2005), MMCI Subsidiary Tru<br>President (since 2005), Vice Pres<br>Corporate Investors.                           |
| STEPHEN L. KUHN (59)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115    | Vice<br>President,<br>Secretary,<br>and Chief<br>Legal<br>Officer | 1 year/<br>7 months                  | Vice President (since 1989) and S<br>Senior Vice President (since 1999<br>1998), and Secretary (since 2005)<br>Secretary (2000-2006) of Babson C<br>MMCI Subsidiary Trust and MMPI Su<br>(since 1989) and Secretary (since<br>Investors. |
| JAMES M. ROY (43)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115       | Vice<br>President<br>and Chief<br>Financial<br>Officer            | 1 year/<br>7 months                  | Vice President and Chief Financia<br>(2003-2005) and Associate Treasur<br>Director (since 2000) of Babson C<br>(1996-1999) of MassMutual; Trustee<br>2005), and Controller (2003-2005)<br>Subsidiary Trust; and Vice Presid              |

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(since 2005), Treasurer (2003-2005),  
(1999-2003), MassMutual Corporate

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|   |             |                     |   |
|---|-------------|---------------------|---|
| JOHN T. DAVITT, JR. (38)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115 | Comptroller | 1 year/<br>7 months | Comptroller (since 2001) of the Trust of Babson Capital; Associate Director of the Trust; Controller (since 2005), MMCI Sub Trust; and Comptroller (since 2003) of the Trust of Babson Capital. |
|---|-------------|---------------------|---|

---

|  |                                |                       |  |
|--|--------------------------------|-----------------------|--|
| MELISSA M. LAGRANT (32)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115 | Chief<br>Compliance<br>Officer | 6 months/<br>1 month* | Chief Compliance Officer (since 2005) of Babson Capital; Compliance Trading Manager (2003-2005), L.P.; Assistant Vice President-Babson Capital (2002-2003), and Assistant Vice President-Babson Capital (2001-2002), Zurich Scudder Investors and Chief Compliance Officer (since 2005) of MassMutual Participation Investors. |
|--|--------------------------------|-----------------------|--|

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|  |           |                     |  |
|--|-----------|---------------------|--|
| LAURA L. GRANT (33)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600<br>Springfield, MA 01115 | Treasurer | 1 year/<br>7 months | Treasurer (since 2005) of the Trust of Babson Capital; and Treasurer (since 2003) of MassMutual Participation Investors. |
|--|-----------|---------------------|--|

\* MELISSA LAGRANT WAS ELECTED CHIEF COMPLIANCE OFFICER BY THE BOARD ON JANUARY 20, 2006 TO FILL THE VACANCY CREATED BY MARY ELLEN WESNESKI'S RESIGNATION AS CHIEF COMPLIANCE OFFICER ON NOVEMBER 18, 2005.

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MassMutual Participation Investors

[PHOTO APPEARS HERE]

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Members of the Board of Trustees

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Donald Glickman  
Chairman, Donald Glickman  
& Company, Inc.

Robert E. Joyal  
Retired President of  
Babson Capital Management LLC

Jack A. Laughery

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President and Partner,  
Laughery Investments

Michael H. Brown  
Private Investor

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

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

Roger W. Crandall  
Executive Vice President and  
Chief Investment Officer,  
Massachusetts Mutual  
Life Insurance Company

Martin T. Hart\*  
Private Investor

\*Member of the Audit Committee

### 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 share-holder 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.

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 any way, relieve participating shareholders of any federal, state or local tax. For federal income tax purposes, the amount reportable in respect of a dividend received in newly-issued shares of the Trust will be the fair market value of the shares received, which will be reportable as ordinary income and/or capital gains.

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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 8021 7-3673.

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Officers  
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Roger W. Crandall  
CHAIRMAN

James M. Roy  
VICE PRESIDENT &  
CHIEF FINANCIAL OFFICER

Michael P. Hermsen  
VICE PRESIDENT

Michael L. Klofas  
VICE PRESIDENT

Clifford M. Noreen  
PRESIDENT

Stephen L. Kuhn  
VICE PRESIDENT, SECRETARY  
& CHIEF LEGAL OFFICER

Mary Wilson Kibbe  
VICE PRESIDENT

Richard E. Spencer, II  
VICE PRESIDENT

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[LOGO]

MassMutual Participation Investors

DB1036 206

ITEM 2. CODE OF ETHICS.

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

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

FEES BILLED TO THE REGISTRANT

|                    | KPMG LLP<br>Year Ended<br>December 31,<br>2005 | KPMG LLP<br>Year Ended<br>December 31,<br>2004 |
|--------------------|--|--|
|                    | -----  | -----  |
| Audit Fees         | \$ 39,000                                      | \$ 32,500                                      |
| Audit-Related Fees | 5,200  | 5,000  |
| Tax Fees           | 32,900   | 33,500   |
| All Other Fees     | 0  | 0  |
|                    | -----  | -----  |
| Total Fees         | \$ 77,100                                      | \$ 71,000                                      |
|                    | =====  | =====  |

NON-AUDIT FEES BILLED TO BABSON CAPITAL AND MASSMUTUAL

|                    | KPMG LLP<br>Year Ended<br>December 31,<br>2005 | KPMG LLP<br>Year Ended<br>December 31,<br>2004 |
|--------------------|--|--|
|                    | -----  | -----  |
| Audit-Related Fees | \$1,271,816                                    | \$ 362,400                                     |
| Tax Fees           | 0  | 0  |
| All Other Fees     | 0  | 400,000  |
|                    | -----  | -----  |
| Total Fees         | \$1,271,816                                    | \$ 762,400                                     |
|                    | =====  | =====  |

The category "Audit Related Fees" reflects fees billed by KPMG for services reasonably related to the audit and tax services rendered to the Registrant, Babson Capital Management LLC ("Babson Capital") and Massachusetts Mutual Life Insurance Company ("MassMutual"), such as SAS 70 review, a Sarbanes-Oxley Readiness Assessment and agreed

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upon procedures reports. Preparation of Federal, state and local income tax and compliance work are representative of the fees billed in the "Tax Fees" category. The category "All Other Fees" represents fees billed by KPMG for tax consulting rendered to Babson Capital and MassMutual. The Sarbanes-Oxley Act of 2002 and its implementing regulations allows the Registrant's Audit Committee to establish a pre-approval policy for certain services rendered by the Registrant's independent accountants. During 2005, the Registrant's Audit Committee approved all of the services rendered to the Registrant by KPMG and did not rely on such a pre-approval policy for any such services.

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

The 2004 fees billed represent final 2004 amounts, which may differ from the preliminary figures available as of the filing date of the Trust's 2005 Annual Form N-CSR and includes, among other things, fees for services that may not have been billed as of the filing date of the Trust's 2005 Annual Form N-CSR, but are now properly included in the 2004 fees billed to the Trust, Babson Capital, and MassMutual.

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

The Registrant maintains an Audit Committee composed exclusively of Trustees of the Registrant who qualify as "independent" Trustees under the current listing standards of the New York Stock Exchange and the rules of U.S. Securities and Exchange Commission. The Committee operates pursuant to a written Audit Committee Charter, which is available (1) on the Registrant's website, [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv); and (2) without charge, upon request, by calling, toll-free 866-399-1516. The current members of the Audit Committee are Donald E. Benson, Martin T. Hart, 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 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 voted solely in the best interests of its clients (i.e. prudently and in a manner believed by Babson to best protect and enhance an investor's returns). 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

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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, if such vote is authorized by the Policy. The procedures set forth in the Policy are designed to ensure that votes against ISS's recommendations or proxy voting guidelines have been made in the best interests of clients and are not the result of any material conflict of interest (a "Material Conflict").

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

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Babson Capital has (1) established a Proxy Committee that is responsible for the implementation and governance of the Policy and (2) designated Proxy Administrators who will receive and post proxies for voting with ISS. In accordance with the Policy, Babson Capital will generally vote all client proxies in accordance with ISS's recommendation or proxy voting guidelines, unless a person authorized by the Proxy Committee (each a "Proxy Analyst") determines that it is in its clients' best interest to vote against ISS's recommendation or proxy voting guidelines. In these cases, Babson Capital will vote against ISS's recommendation or proxy voting guidelines, so long as no other Proxy Analyst reviewing such proxy disagrees with such recommendation, and no known Material Conflict is identified by the Proxy Analyst(s) or the Proxy Administrator. Otherwise, the proxy is to be submitted to a member of the Proxy Committee, who shall determine how to vote the proxy unless (i) the Proxy Administrator has identified a Babson Capital Material Conflict or (ii) said Proxy Committee member has identified a Material Conflict. In such cases, the proxy shall be

submitted to the Proxy Committee, which may authorize a vote against ISS's recommendation or proxy voting guidelines only if the Proxy Committee determines that such vote is in the clients' best interests.

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

### Obtaining a Copy of the Policy

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

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

The following disclosure item is made as of the date of this Form N-CSR



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unless otherwise indicated.

PORTFOLIO MANAGER. Clifford M. Noreen serves as the President of the Registrant (since 2005) and as its Portfolio Manager. Mr. Noreen began his service to the Registrant in 1993 as a Vice President. With over 24 years of industry experience, Mr. Noreen is a Managing Director of Babson Capital Management LLC ("Babson Capital") and head of Babson Capital's Corporate Securities Group, where he oversees all corporate credit related investments, including public and private bonds, mezzanine, and private equity investments, as well as structured credit products. Mr. Noreen joined Massachusetts Mutual Life Insurance Company ("MassMutual"), Babson Capital's parent company, in 1985 and began leading its High Yield Team in 1992, where he was responsible for oversight of all public high yield portfolios. In 2004, Mr. Noreen assumed responsibility for Babson Capital's Public Corporate Credit Group, which included the Investment Grade and High Yield Institutional Fixed Income teams. Mr. Noreen also presently serves as President of MassMutual Corporate Investors, another closed-end investment company advised by Babson Capital. Mr. Noreen holds a B.A. from the University of Massachusetts and an M.B.A from American International College.

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

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

Mr. Hermsen joined MassMutual in 1990 and has been an officer of the Registrant since 1992. Previously, he worked at Teachers Insurance and Annuity Association where he was a generalist private placement analyst. At MassMutual and then Babson Capital, Mr. Hermsen has analyzed and invested in traditional private placements, high yield public and private bonds, and leveraged bank loans. He has also been responsible for managing a small portfolio of distressed investments. Since 1993, he has focused on originating, analyzing, structuring and documenting mezzanine and private equity investments. He holds a B.A. from Bowdoin College and an M.B.A. from Columbia University.

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

Mr. Spencer joined MassMutual in 1989 after three years as a corporate loan analyst at a major New England bank. He has been an officer of

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

Starting in 2006, Jill A. Fields assumed primary day-to-day responsibility for managing the Registrant's public high yield and investment grade fixed income portfolio. Ms. Fields, a Managing Director of Babson Capital with over 19 years of industry experience, is responsible for portfolio management of Babson Capital's high yield total return strategy. Prior to joining Babson Capital in 1997, she was a credit analyst at Shawmut National Bank, and the Director of Corporate Bond Research at Hartford Life Insurance Group. Ms. Fields holds a B.S. from Pennsylvania State University and an M.B.A. from the University of Connecticut.

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

| PORTFOLIO TEAM         | ACCOUNT CATEGORY                 | TOTAL NUMBER OF ACCOUNTS | APPROXIMATE TOTAL ASSET SIZE (A) | NUMBER OF ACCOUNTS WITH PERFORMANCE-BASED ADVISORY FEE | APPROXIMATE ASSET SIZE PERFORMANCES BASED ADVISORY FEE ACCOUNTS |
|------------------------|----------------------------------|--------------------------|----------------------------------|--|---|
| Clifford M. Noreen (B) | Registered Investment Companies  | 2                        | \$431.7 million                  | 1  | \$256.3 m   |
|                        | Other Pooled Investment Vehicles | 2                        | \$112.6 million                  | 2  | \$112.6 m   |
|                        | Other Accounts                   | 2                        | \$133.7 million                  | 2  | \$133.7 m   |
| Jill A. Fields         | Registered Investment Companies  | 3                        | \$790.5 million                  | 1  | \$256.3 m   |
|                        | Other Pooled Investment Vehicles | 3                        | \$214.3 million                  | 3  | \$214.3 m   |
|                        | Other Accounts                   | 3                        | \$361.2 million                  | 2  | \$133.9 M   |
| Michael P. Hermsen     | Registered Investment Companies  | 1                        | \$256.3 million                  | 1  | \$256.3 m   |
|                        | Other Pooled Investment Vehicles | 5                        | \$341.2 million                  | 5  | \$341.2 m   |
|                        | Other Accounts                   | 1 (C)                    | \$1.1 billion                    | N/A  | N/A   |
| Michael L.             | Registered Investment            |                          |                                  |  |   |

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|                       |                                  |       |                 |     |           |
|-----------------------|----------------------------------|-------|-----------------|-----|-----------|
| Klofas                | Companies                        | 1     | \$256.3 million | 1   | \$256.3 m |
|                       | Other Pooled Investment Vehicles | 5     | \$341.2 million | 5   | \$341.2 m |
|                       | Other Accounts                   | 1 (C) | \$1.1 billion   | N/A | N/A       |
| Richard E. Spencer II | Registered Investment Companies  | 1     | \$256.3 million | 1   | \$256.3 m |
|                       | Other Pooled Investment Vehicles | 5     | \$341.2 million | 5   | \$341.2 m |
|                       | Other Accounts                   | 1 (C) | \$1.1 billion   | N/A | N/A       |

(A) Account asset size has been calculated as of December 31, 2005.

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

(C) The listed account and managed assets represent that portion of the general investment account of MassMutual and C.M. Life Insurance Company for which an individual Portfolio Team member has primary day-to-day responsibility. As of December 31, 2005, Babson Capital's total general investment account assets under management were \$56.9 billion dollars.

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

It is possible that an investment opportunity may be suitable for both the Registrant and other accounts managed by a member of the Portfolio Team, but may not be available in sufficient quantities for both the Registrant and the other accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by the Registrant and another account. A conflict may arise where a member of the Portfolio Team may have an incentive to treat an account preferentially as compared to the Registrant because the account pays Babson Capital a performance-based fee or a member of the Portfolio Team, Babson Capital, or an affiliate has an interest in the account. Babson Capital has adopted an investment allocation policy and trade allocation procedures to address allocation of portfolio transactions and investment opportunities across multiple clients. These policies are designed to achieve fair and equitable treatment of all clients over time, and specifically prohibit allocations based on performance of an account, the amount or structure of the management fee, performance fee or profit sharing allocations, participation or

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investment by an employee, Babson Capital or an affiliate, whether the account is public, private, proprietary or third party. Additionally, the Registrant, MassMutual, Babson Capital, MassMutual Corporate Investors, and any private investment company advised or sub-advised by Babson Capital have obtained a blanket order from the Securities and Exchange Commission pursuant to Section 17(d), and Rule 17(d)-1 thereunder, of the Investment Company Act of 1940, as amended, which sets forth the conditions by which the entities can engage in private placement co-investment activities.

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

With respect to securities transactions for the Registrant, Babson Capital determines which broker to use to execute each order, consistent with its duty to seek best execution of the transaction. Babson Capital manages certain other accounts, however, where Babson Capital may be limited by the client with respect to the selection of brokers or directed to trade such client's transactions through a particular broker. In these cases, trades for a fund in a particular security may be placed separately from, rather than aggregated with, such other accounts. Placing separate transaction orders for a security may temporarily affect the market price of the security or otherwise affect the execution of the transaction to the possible detriment of a fund or the other account(s) involved. Babson Capital has policies and procedures that address best execution and directed brokerage.

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

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

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

The compensation package for the members of the Portfolio Team is comprised of a market-driven base salary, a performance-driven annual bonus, and discretionary long-term incentives. The performance-driven bonus is based on the performance of the accounts managed by the members of the Portfolio Team relative to appropriate benchmarks,

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including with respect to the Registrant, to the Lehman Brothers Intermediate U.S. Credit and the S & P Industrial Index, in addition to the Russell 2000 Index and Lehman Brothers U.S. Corporate High Yield Index. Performance of the Registrant, like other accounts Portfolio Team members manage, are evaluated on a pre-tax basis, and are reviewed over one and three-year periods, with greater emphasis given to the latter. There are other factors that affect bonus awards to a lesser extent, such as client satisfaction, teamwork, the assets under management, and the overall success of Babson Capital. Such factors are considered as a part of the overall annual bonus evaluation process by the management of Babson Capital.

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

**BENEFICIAL OWNERSHIP.** As of December 31, 2005, members of the Portfolio Team beneficially owned the following dollar range of equity securities in the Registrant:

| PORTFOLIO TEAM<br>----- | DOLLAR RANGE OF BENEFICIALLY OWNED*<br>EQUITY SECURITIES OF THE REGISTRANT<br>----- |
|-------------------------|---|
| 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

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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 UNDER THE ACT (17 CFR 270.23c-1) SENT OR GIVEN DURING THE PERIOD COVERED BY THE REPORT BY OR ON BEHALF OF THE REGISTRANT TO 10 OR MORE PERSONS.

Not Applicable for this filing.

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

Attached hereto as EX-99.32

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): MassMutual Participation Investors
By: /s/ Clifford M Noreen
Clifford M Noreen, President
Date: March 10, 2006

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.

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By: /s/ Clifford M Noreen  
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Clifford M Noreen, President  
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Date: March 10, 2006  
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By: /s/ James M. Roy  
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James M. Roy, Vice President, and  
Chief Financial Officer  
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Date: March 10, 2006  
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