

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

=====

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

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

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

-----  
MPV  
Listed  
NYSE  
-----

### PROXY VOTING POLICIES & PROCEDURES; PROXY VOTING RECORD

The Trustees of MassMutual Participation Investors 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

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

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

1

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

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

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

2

### MassMutual Participation Investors

-----  
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.

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

[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

3

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 Trust	Lehman Brothers U.S. Corporate High Yield Index	Lehman Brothers Intermediate U.S. Credit Index*	Standard & Poor's Industrials Composite**	Russell 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.

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

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

4

### 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.

[PHOTO APPEARS HERE]

5

MassMutual Participation Investors

The Outlook for 2006

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

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	



Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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 Amount Per Share	Qualified for Dividend Received Deduction***		Qualified Dividends****		Inter- U.S. Go 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

6

Financial Report

Consolidated Statement of Assets and Liabilities .....	8
Consolidated Statement of Operations .....	9
Consolidated Statement of Cash Flows .....	10
Consolidated Statements of Changes in Net Assets .....	11
Consolidated Selected Financial Highlights .....	12
Consolidated Schedule of Investments .....	13-33
Notes to Consolidated Financial Statements .....	34-37
Report of Independent Registered Public Accounting Firm .....	38
Interested Trustees .....	39-40
Independent Trustees .....	41-43
Officers of the Trust .....	44

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

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

(Cost - \$85,392,554)

\$ 84,550,715

Corporate public securities at market value

(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.

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

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.

9

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

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

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.

10

MassMutual Participation Investors

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
For the years ended December 31, 2005 and 2004

2005

12

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

-----  
 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.

11

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 gain (loss) on investments	1.09**	1.36	1.21
	-----	-----	-----
Total from investment operations	2.08	2.36	2.01

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

Dividends from net investment 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 to average net assets	1.45%	1.63%	1.65%
Ratio of interest expense to average net assets	0.80%	0.89%	0.97%
Ratio of total expenses to average net assets	2.25%	2.52%	2.62%
Ratio of net investment income 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.

12

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

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

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

### A T I ACQUISITION COMPANY

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

12% Senior Subordinated Note due 2012	\$ 1,125,000	04/08/04
Warrant, exercisable until 2012, to purchase 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 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 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 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 common stock at \$.01 per share (B)	69 shs.	05/18/05

13

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 Amount	Acquisiti 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 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 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 Appreciation Fund IV, L.P. (B)	5.09% int.	04/09/02
Warrant, exercisable until 2010, to purchase 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 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 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 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 common stock at \$.01 per share (B)	49,552 shs.	08/12/05

14

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS



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

December 31, 2005

Corporate Restricted Securities:(A) continued	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti Date
<hr/>		
<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
<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
<b>CAPEUCCESS 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
<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.		
<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
<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, Warrants, Ownership or Principal Amount	Acquisiti 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 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 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 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 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 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.		

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

16

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

Corporate Restricted Securities:(A) continued	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti 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		

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

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

17

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti 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^DELTA COM, 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.

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

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 Saw Mill Capital Fund II, L.P. (B)		1.30% int.	08/03/00
Warrants, exercisable until 2008 and 2009, to purchase common stock at \$.01 per share (B)		26,931 shs.	08/04/00

18

### MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

		Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti 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 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 Riverside XVI Holding Company, L.P. (B)		3.02% int.	06/12/00
Warrant, exercisable until 2008, to purchase 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 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	*

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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

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

19

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

Corporate Restricted Securities:(A) continued	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti Date
-----		
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 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 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 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 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 Riverside Capital Appreciation Fund I, L.P. (B)		19.20% int.	*
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)		122 shs.	12/21/05

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

20

### MassMutual Participation Investors

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

		Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti 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 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 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 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 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

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

Common Stock (B)	93,848 shs.	12/20/05
Warrant, exercisable until 2015, to purchase 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 VIII-B Holding Company, L.P.	10.66% int.	*
Warrants, exercisable until 2007 and 2008, to purchase 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.

21

### MassMutual Participation Investors

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

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti 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 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 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 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 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 common stock at \$.01 per share (B)	280 shs.	07/09/04

22

### MassMutual Participation Investors

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

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti 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 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 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

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

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

23

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti Date
Corporate Restricted Securities:(A) continued		
-----		
TANGENT RAIL CORPORATION 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 common stock at \$.01 per share (B)	618 shs.	10/14/05
TERRA RENEWAL SERVICES, INC. A provider of wastewater residual management and required environmental reporting, permitting, 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 Saw Mill Capital Fund V, L.P. (B)	2.30% int.	03/01/05
Warrant, exercisable until 2015, to purchase 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

24

## MassMutual Participation Investors

### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2005

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition 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 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 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 common stock at \$.01 per share			502 shs.	08/06/03

25

### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2005

			Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti Date

Corporate Restricted Securities:(A) continued

### 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 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 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 common stock at \$.01 per share (B)	2,133 shs.	07/12/04

Total Private Placement Investments

26

### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2005

	Interest Rate	Due Date	Shares or Principal 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

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

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			

27

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

	Interest Rate	Due Date	Principal 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

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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

28

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

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

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
 			-----
TOTAL BONDS			\$ 28,964,802
			-----

29

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			\$ 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



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

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.

30

### MassMutual Participation Investors

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

Industry Classification:	Fair Value/ 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.
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.

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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 Acqu
	-----	Rock-Tenn Co.
	3,468,238	Truck Bodies & Equipment In
	-----	Tyco International Group SA

31

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

Industry Classification:	Fair Value/ 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	

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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, ENTERTA
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

32

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2005

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

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

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	
	-----	

33

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.

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

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

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

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.

34

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

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

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

### D. FEDERAL INCOME TAXES:

The Trust has elected to be taxed as a "regulated investment company" under the Internal Revenue Code and intends to maintain this qualification and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that Trustees either designate the net realized long-term gains as undistributed and pay the federal capital gains taxes thereon, or distribute all or a portion of such net gains. For the year ended December 31, 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
--------------------------	------	------

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

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.

35

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



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

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 on 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 ENDED 12/31/2005	COST OF INVESTMENTS ACQUIRED
Corporate restricted securities	\$ 30,337,054
Corporate public securities	7,789,156
	PROCEEDS FROM 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.

36

MassMutual Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2005

### 6. QUARTERLY RESULTS OF INVESTMENT OPERATIONS

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

(UNAUDITED)

	Amount	Per Share
-----		
March 31, 2005		
-----		
Investment income	\$ 2,833,525	
Net investment income	2,192,726	\$ 0.23
Net realized and unrealized 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 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 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 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 and Annual Reports to Shareholders	\$	15,439
Preparation of Certain of the Trust's Shareholder communications		526
Preparation of the Trust's 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.

37

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

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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

38

MassMutual Participation Investors

INTERESTED TRUSTEES

NAME (AGE), ADDRESS	POSITION WITH THE TRUST	OFFICE TERM/LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	PORT OVER IN F COMP
ROGER W. CRANDALL* (41) Massachusetts Mutual Life Insurance Company 1295 State Street Springfield, MA 01111	Trustee (since 2005)	3 years/ 7 months**	Executive Vice President and Chief Investment Officer (since 2005) of MassMutual; and Chairman (since 2005), Vice Chairman (2005), Member of the Board of Managers (since 2004), Director (2003-2004), and Managing Director of Babson	2
NOMINEE FOR TRUSTEE	Chairman (since 2005)	1 year/ 7 months***		



Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

- \* 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.

39

MassMutual Participation Investors

INTERESTED TRUSTEES

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

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

\* 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).

40

MassMutual Participation Investors

INDEPENDENT TRUSTEES

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

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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

41

MassMutual Participation Investors

INDEPENDENT TRUSTEES

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



Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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

42

MassMutual Participation Investors

INDEPENDENT TRUSTEES

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

NOMINEE  
FOR TRUSTEE

MassMutual Participation Investors

OFFICERS OF THE TRUST

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

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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

---

JOHN T. DAVITT, JR. (38) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Comptroller	1 year/ 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) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Chief Compliance Officer	6 months/ 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 Investments and Chief Compliance Officer (since 2005) of MassMutual Participation Investors.
--	--------------------------------	-----------------------	--

---

LAURA L. GRANT (33) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Treasurer	1 year/ 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.

44

MassMutual Participation Investors

[PHOTO APPEARS HERE]

---

Members of the Board of Trustees

---

Donald Glickman  
Chairman, Donald Glickman  
& Company, Inc.

Robert E. Joyal  
Retired President of  
Babson Capital Management LLC

Jack A. Laughery

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

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 Share-holder 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.

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

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.

-----  
Officers  
-----

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

La  
TR  
  
Jo  
CO  
  
Me  
CH  
OF

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

[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 Year Ended December 31, 2005	KPMG LLP Year Ended December 31, 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 Year Ended December 31, 2005	KPMG LLP Year Ended December 31, 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

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

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

-----

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

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

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

-----

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

-----

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



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

unless otherwise indicated.

PORTFOLIO MANAGER. Clifford M. Noreen serves as the President of the Registrant (since 2005) and as its Portfolio Manager. Mr. Noreen began his service to the Registrant in 1993 as a Vice President. With over 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

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

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				

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

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

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

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,

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

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

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

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.

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSR

By: /s/ Clifford M Noreen  
-----  
Clifford M Noreen, President  
-----

Date: March 10, 2006  
-----

By: /s/ James M. Roy  
-----  
James M. Roy, Vice President, and  
Chief Financial Officer  
-----

Date: March 10, 2006  
-----