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MASSMUTUAL PARTICIPATION INVESTORS

Form N-CSR

March 04, 2005

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: 12/31/04

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.

2004
Annual
Report

MassMutual Participation Investors

MassMutual
Participation
Investors

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

MASSMUTUAL
PARTICIPATION INVESTORS
c/o Babson Capital Management LLC
1500 Main Street, Suite 600
Springfield, Massachusetts 01115
(413) 226-1516

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

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Boston, Massachusetts 02110

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

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

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

Investment
Objective
and 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 the New York Stock Exchange listings.

[PIE CHART APPEARS HERE]

Portfolio Composition as of 12/31/04*

Public High
Yield Debt 24%

Private Investment
Grade Debt 1%

Cash & Short Term

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Investments 7%

Private/Restricted

Equity 14%

Public Equity 2%

Private High

Yield Debt 52%

*Based on value of total investments

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 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 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 MassMutual Participation Investors Annual Meeting of Shareholders, which will be held on April 22, 2005 at 1:00 P.M. in Springfield, Massachusetts.

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MassMutual Participation Investors

To
Our
Shareholders

On July 1, 2004, David L. Babson & Company Inc., the investment adviser to MassMutual Participation Investors (the "Trust"), announced that it was renaming itself as Babson Capital Management LLC. The Trust continues to be managed by the same individuals and there should be no change in the level of service provided.

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2004.

[PHOTO APPEARS HERE]

Left to right:

Roger W. Crandall
President

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Stuart H. Reese
Chairman

The Trust's total portfolio rate of return for 2004 was 25.14%, as measured by the change in net asset value, assuming the reinvestment of all dividends and distributions.

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M a s s M u t u a l P a r t i c i p a t i o n I n v e s t o r s

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.) |
|---|---|---|
| 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 |
| 1995 26.11% | 1995 34.64% | 1995 18.99 |

*Data for MassMutual Participation Investors represents portfolio returns based on change in the 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 net asset value and the market value of the shares outstanding (see page 12 for total investment return based on market value); past performance is no guarantee of future results.

[PHOTO APPEARS HERE]

Left to right:

Stephen L. Kuhn
Vice President and Secretary

Clifford M. Noreen
Vice President

Charles C. McCobb, Jr.
Vice President and Chief Financial Officer

The Trust continues to repeatedly employ the investment philosophy that has served it well since its inception: investing in companies which we believe to have a strong business proposition, solid cash flow and experienced, ethical management.

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MassMutual Participation Investors

The Trust's 2004 Portfolio Performance

The Trust's total portfolio rate of return for 2004 was 25.14%, as measured by the change in net asset value, assuming the reinvestment of all dividends and distributions. The Trust's total net assets were \$107,610,007, or \$11.13 per share, as of December 31, 2004, compared to \$94,396,591, or \$9.84 per share, as of December 31, 2003. The Trust's quarterly per-share dividend increased in the first and second quarters of 2004 and remained stable for each of the next two quarters of 2004: from 20 cents per share paid for each quarter in 2003 to 21 cents per share paid in May, to 24 cents per share paid in August and in November. While the regular fourth quarter dividend paid in January remained at 24 cents per share, the Trust declared a special year-end dividend of 12 cents per share paid in January to shareholders of record on December 31, 2004. A special 5 cent per share dividend was also paid in August, bringing total dividends for the year to \$1.10 per share. All in all, we are very pleased with the Trust's 2004 portfolio performance.

| | 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 | 25.14% | 11.13% | 4.08% | 10.20% | 18.33% |
| 3 Year | 17.85% | 12.22% | 7.01% | 2.66% | 11.48% |
| 5 Year | 12.84% | 6.97% | 8.05% | -4.37% | 6.61% |
| 10 Year | 14.32% | 8.13% | 7.91% | 11.31% | 11.54% |

* Formerly called the Lehman Brothers Intermediate Corporate Bond Index.

** Formerly called the Standard & Poor's Industrial Price Index.

The above table lists the average annual returns of the Trust's portfolio, based on 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, 2004.

The U.S. economy and investment markets showed surprising resilience in 2004, holding steady despite several factors: short-term interest rates were raised five times during the year by the Federal Reserve Board for a total increase of 1.25 percent; oil reaching a record high price of \$50 a barrel; a weakening dollar; the worst hurricane season in 40 years; the ongoing war in Iraq; and a highly charged Presidential election campaign.

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MassMutual Participation Investors

While historically events such as these have had a negative economic impact, indications are that the U.S. economy continues to improve. U.S. Gross Domestic Product grew at a 4.4 percent rate for the year and the unemployment rate dropped to 5.4 percent from 5.7 percent. Nevertheless, at the close of 2004, both the Dow Jones Industrial Average and the Standard & Poor's 500 Index were at their highest levels since pre-September 11, 2001.

Corporate credit defaults around the globe continued their downward trend (although possibly plateauing at year-end), which provided a more stable

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environment for investors. In the U.S., the speculative-grade issuer-weighted default rate fell to 2.2% at year-end from a starting point of 5.2% in 2003, as reported by Moody's Investors Service. Meanwhile, 2004 saw dollardenominated high-yield bond issuance approach \$134.8 billion, keeping pace with the \$135.7 billion issued in 2003, according to Credit Suisse First Boston. The value of mergers and acquisitions among domestic companies reached \$834 billion, a tally surpassed only in the record year of 2000, according to Thompson Financial. This is an indication of the amount of capital available in the market to finance deals; however, this environment has caused the markets in which the Trust participates to become very competitive.

Overall, the Trust closed 23 new private placement transactions during 2004 and added to seven existing private placement investments, a relatively large number compared with previous years. To keep pace with this activity, Babson Capital has added additional investment professionals to its mezzanine and private equity group.

New private placement transactions during the year were: ATI Acquisition Company; AWC Holding Company; American Hospice Management Holding LLC; Augusta Sportswear Holding Co.; Chemed Corporation (Roto-Rooter, Inc.); Eagle Pack Pet Foods, Inc.; EXC Acquisition Corporation; Home Decor Holding Company; Justrite Manufacturing Acquisition Co.; Kele and Associates, Inc.; Maverick Acquisition Company; Maxon Corporation; Nonni's Food Company; Qualis Automotive LLC; Qualserv Corporation; River Ranch Fresh Foods LLC; Savage Sports Holding, Inc.; Sport Court International, Inc.; Tubular Textile Machinery; U-Line Corporation; Vitality Foodservice, Inc.; Vitex Packaging Group, Inc.; and Walls Industries, Inc.

In addition, the Trust added to existing private placement investments in Brampton Fasteners Co. Ltd., Colibri Holdings Corp., Delstar Holding Corporation, Dwyer Group, Inc., Home Decor Holding Company, MedAssist, Inc. and Shelter Acquisition, Inc.

[PHOTO APPEARS HERE]

Left to right:

Michael L. Klofas
Vice President

Richard E. Spencer, II
Vice President

Michael P. Hermsen
Vice President

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MassMutual Participation Investors

The Outlook for 2005

For 2005, expectations are mixed. The Fed will likely continue to raise short-term rates, and many analysts believe long-term interest rates may rise as well. The global economy is focused on the budget and current account deficits in the U.S., with the risk of further dollar weakness. Oil prices will continue to have a risk premium because of instability and conflict in the Middle East. While economic indicators such as unemployment levels, manufacturing activity and consumer confidence looked promising at year-end, no one can predict the future with any degree of certainty.

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Stronger equity and credit markets have helped fuel increased M & A activity - pushing valuations toward the high end of historical ranges. The margin of safety in many investments has been reduced, requiring investors to increase the scrutiny of each opportunity.

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

Sincerely,

/S/ Roger W. Crandall
 Roger W. Crandall
 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.

| 2004 Dividends | Record Date | Net Investment Income | Short-Term Gains | Tax Effect |
|----------------|-------------|-----------------------|------------------|------------|
| Regular | 05/07/04 | \$0.2100 | - | |
| | 07/30/04 | 0.2400 | - | |
| | 11/01/04 | 0.2400 | - | |
| | 12/31/04 | 0.2400 | - | |
| Special | 07/30/04 | 0.0500 | - | |
| | 12/31/04 | 0.1200 | - | |
| | | \$1.1000 | - | \$1.10 |

The Trust did not have distributable net long-term capital gains in 2004.

| Annual Dividend Amount Per Share | Qualified for Dividend Received Deduction*** | | Qualified Dividends**** | | Interest Earned on U.S. Gov't. Obligations | |
|----------------------------------|--|------------------|-------------------------|------------------|--|------------------|
| | Percent | Amount Per Share | Percent | Amount Per Share | Percent | Amount Per Share |
| \$1.10 | 19.0189% | 0.2092 | 19.0131% | 0.2091 | 0.0000% | 0.0000 |

*Not available to individual shareholders

**Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2004

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| | |
|--|-------|
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MassMutual Participation Investors

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES December 31, 2004

ASSETS:

Investments

(See Consolidated Schedule of Investments)

| | |
|---|---------------|
| Corporate restricted securities at fair value (Cost - \$97,473,283) | \$ 94,748,375 |
| Corporate public securities at market value (Cost - \$26,736,731) | 28,442,620 |
| Short-term securities at cost plus earned discount which approximates market value | 5,580,402 |
| | 128,771,397 |

| | |
|-----------------------------------|----------------|
| Cash | 2,370,051 |
| Interest and dividends receivable | 1,867,335 |
| Receivable for investments sold | 1,528,675 |
| | \$ 134,537,458 |
| | ===== |

Liabilities:

| | |
|----------------------------|--------------|
| Dividend payable | \$ 3,482,121 |
| Management fee payable | 241,672 |
| Note payable | 12,000,000 |
| Revolving Credit Agreement | 10,500,000 |

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| | |
|--|----------------|
| Interest payable | 113,824 |
| Accrued expenses | 173,415 |
| Accrued taxes payable | 416,419 |
| | ----- |
| TOTAL LIABILITIES | 26,927,451 |
| | ----- |
| Net Assets: | |
| Common shares, par value \$.01 per share; an unlimited number authorized | 96,726 |
| Additional paid-in capital | 89,614,164 |
| Retained net realized gain on investments, prior years | 19,858,001 |
| Undistributed net investment income | 460,827 |
| Accumulated net realized loss on investments | (1,400,692) |
| Net unrealized depreciation of investments | (1,019,019) |
| | ----- |
| TOTAL NET ASSETS | 107,610,007 |
| | ----- |
| TOTAL LIABILITIES AND NET ASSETS | \$ 134,537,458 |
| | ===== |
| COMMON SHARES ISSUED AND OUTSTANDING | 9,672,559 |
| | ===== |
| NET ASSET VALUE PER SHARE | \$ 11.13 |
| | ===== |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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MassMutual Participation Investors

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2004

| | |
|--|---------------|
| INVESTMENT INCOME: | |
| Interest | \$ 10,936,609 |
| Dividends | 1,321,969 |
| | ----- |
| TOTAL INVESTMENT INCOME | 12,258,578 |
| | ----- |
| EXPENSES: | |
| Management fees | 918,716 |
| Interest | 902,667 |
| Trustees' fees and expenses | 105,000 |
| Transfer agent/registrar's expenses | 21,400 |
| Reports to shareholders | 80,000 |
| Professional fees | 286,400 |
| Other | 72,170 |
| | ----- |
| TOTAL EXPENSES | 2,386,353 |
| | ----- |
| Net investment income before income tax expense | 9,872,225 |
| Income tax expense | 158,788 |
| | ----- |
| INVESTMENT INCOME - NET (\$1.00 PER SHARE) | 9,713,437 |
| | ----- |
| Net realized and unrealized gain on investments: | |
| Realized gain on investments before taxes | 1,196,570 |

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| | |
|--|---------------|
| Income tax expense | (504,437) |
| | ----- |
| NET REALIZED GAIN ON INVESTMENTS | 692,133 |
| Net change in unrealized depreciation of investments | 12,493,998 |
| | ----- |
| Net gain on investments | 13,186,131 |
| | ----- |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$ 22,899,568 |
| | ===== |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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MassMutual Participation Investors

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2004

NET DECREASE IN CASH:

Cash flows from operating activities:

| | |
|---------------------------------|---------------|
| Interest and dividends received | \$ 11,479,341 |
| Interest expense paid | (892,461) |
| Operating expenses paid | (1,429,857) |
| Income taxes paid | (1,157,345) |
| | ----- |

| | |
|---|-----------|
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 7,999,678 |
| | ----- |

Cash flows from investing activities:

| | |
|---|--------------|
| Purchases/Proceeds/Maturities from short-term portfolio securities, net | 2,243,440 |
| Purchases of portfolio securities | (60,887,585) |
| Proceeds from disposition of portfolio securities | 58,157,598 |
| | ----- |

| | |
|--|-----------|
| NET CASH USED FOR INVESTING ACTIVITIES | (486,547) |
| | ----- |

| | |
|---|-----------|
| NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES | 7,513,131 |
| | ----- |

Cash flows from financing activities:

| | |
|---|--------------|
| Increase in receipts for shares issued on reinvestment of dividends | 927,073 |
| Cash dividends paid from net investment income | (10,583,854) |
| | ----- |

| | |
|--|-------------|
| NET CASH USED FOR FINANCING ACTIVITIES | (9,656,781) |
| | ----- |

| | |
|----------------------|-------------|
| NET DECREASE IN CASH | (2,143,650) |
|----------------------|-------------|

| | |
|--------------------------|-----------|
| Cash - beginning of year | 4,513,701 |
| | ----- |

| | |
|--------------------|--------------|
| CASH - END OF YEAR | \$ 2,370,051 |
| | ===== |

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

| | |
|--|---------------|
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$ 22,899,568 |
| | ----- |

| | |
|-------------------------|--------------|
| Increase in investments | (15,293,608) |
|-------------------------|--------------|

| | |
|---|----------|
| Increase in interest and dividends receivable | (41,885) |
|---|----------|

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| | |
|---|--------------|
| Decrease in receivable for investments sold | 379,141 |
| Increase in management fee payable | 28,955 |
| Increase in interest payable | 10,206 |
| Increase in accrued expenses | 11,249 |
| Decrease in accrued taxes payable | (480,495) |
| | ----- |
| TOTAL ADJUSTMENTS TO NET ASSETS FROM OPERATIONS | (15,386,437) |
| | ----- |
| NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES | \$ 7,513,131 |
| | ===== |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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MassMutual Participation Investors

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

| | | |
|--|----------------|-------|
| | 2004 | |
| | ----- | |
| INCREASE IN NET ASSETS: | | |
| Operations: | | |
| Investment income - net | \$ 9,713,437 | \$ |
| Net realized gain on investments | 692,133 | |
| Net change in unrealized depreciation of investments | 12,493,998 | |
| | ----- | ----- |
| Net increase in net assets resulting from operations | 22,899,568 | |
| Net increase in shares of beneficial interest transactions (common shares issued: 2004 - 81,587; 2003 - 69,917) | 927,073 | |
| Dividends to shareholders from: | | |
| Net investment income (2004 - \$1.10 per share; 2003 - \$0.96 per share) | (10,613,225) | |
| | ----- | ----- |
| TOTAL INCREASE IN NET ASSETS | 13,213,416 | |
| NET ASSETS, BEGINNING OF YEAR | 94,396,591 | |
| | ----- | ----- |
| NET ASSETS, END OF YEAR | \$ 107,610,007 | \$ |
| | ===== | ===== |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MassMutual Participation Investors

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

| For the years ended December 31, | 2004 | 2003 | 2002 | 2001 |
|--|-----------|----------|----------|----------|
| NET ASSET VALUE: BEGINNING OF YEAR | \$ 9.84 | \$ 8.78 | \$ 9.12 | \$ 9.75 |
| Net investment income | 1.00 | 0.80 | 0.87 | 0.93 |
| Net realized and unrealized gain (loss) on investments | 1.36 | 1.21 | (0.35) | (0.61) |
| Total from investment operations | 2.36 | 2.01 | 0.52 | 0.32 |
| Dividends from net investment income to common shareholders | (1.10) | (0.96) | (0.86) | (0.96) |
| Distributions from net realized gain on investments to common shareholders | -- | -- | -- | -- |
| Change from issuance of shares | 0.03 | 0.01 | -- | 0.01 |
| Total distributions | (1.07) | (0.95) | (0.86) | (0.95) |
| NET ASSET VALUE: END OF YEAR | \$ 11.13 | \$ 9.84 | \$ 8.78 | \$ 9.12 |
| PER SHARE MARKET VALUE: END OF YEAR | \$ 13.31 | \$ 11.65 | \$ 9.40 | \$ 9.10 |
| Total investment return | | | | |
| Market value | 25.77% | 35.50% | 12.58% | (8.02)% |
| Net asset value* | 25.14% | 23.72% | 5.70% | 3.41% |
| Net assets (in millions): | | | | |
| End of year | \$ 107.61 | \$ 94.40 | \$ 83.59 | \$ 86.09 |
| Ratio of operating expenses to average net assets | 1.63% | 1.65% | 1.27% | 1.22% |
| Ratio of interest expense to average net assets | 0.89% | 0.97% | 1.08% | 1.47% |
| Ratio of total expenses to average net assets | 2.52% | 2.62% | 2.35% | 2.69% |

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| | | | | |
|---|--------|--------|--------|--------|
| Ratio of net investment income to average net assets | 9.60% | 8.55% | 9.42% | 9.70% |
| Portfolio turnover | 51.25% | 55.08% | 35.32% | 21.58% |

* Net asset value return represents portfolio returns based on change in the 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 net asset value and the market value of the shares outstanding; past performance in no guarantee of future results.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2004

| | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|--|--|------------------|
| Corporate Restricted Securities - 88.05%: (A) | | |
| ----- | | |
| Private Placement Investments - 80.57% | | |
| 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 | 04/08/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | 1,230 shs. | 04/08/0 |
| AWC HOLDING COMPANY | | |
| A manufacturer and distributor of aluminum and vinyl windows and doors in the Southwest and Southe | | |
| 12% Senior Subordinated Note due 2012 | \$ 1,125,000 | 05/18/0 |
| Limited Partnership Interest of A W C Investment, LLC (B) | 132 uts. | 05/18/0 |
| ADORN, INC | | |
| A manufacturer of wall panels, cabinets, moldings and countertops for houses and recreational vehi | | |
| 12.5% Subordinated Note due 2010 | \$ 1,125,000 | 02/29/0 |
| Warrant, exercisable until 2010, to purchase common stock at \$.02 per share (B) | 192 shs. | 02/29/0 |
| AMERICA'S BODY COMPANY, INC./LCP HOLDING CO | | |
| A designer and manufacturer of commercial work vehicles | | |
| 12% Preferred Stock Series C (B) | 197 shs. | 12/16/0 |
| Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B) | 40 shs. | |

*11/02/98 and 12/24/03

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AMERICAN HOSPICE MANAGEMENT HOLDING LLC

A for-profit hospice care provider in the United States

| | | | | |
|---------------------------------------|----|-----------|--|---------|
| 12% Senior Subordinated Note due 2010 | \$ | 1,125,000 | | 01/22/0 |
| Preferred Class A Unit (B) | | | | 01/22/0 |
| Common Class B Unit (B) | | | | 01/22/0 |

AUGUSTA SPORTSWEAR HOLDING CO

A manufacturer and distributor of athletic apparel, activewear and team uniforms.

| | | | | |
|--|----|---------|--|---------|
| 12% Senior Subordinated Note due 2012 | \$ | 893,000 | | 12/31/0 |
| Common Stock (B) | | | | 12/31/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | | | | 12/31/0 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2004

| | | Shares, Units Warrants, Ownership or Principal Amount | | Acquisit Date |
|---|----|--|-------------|------------------|
| Corporate Restricted Securities - (A) continued | | | | |
| ----- | | | | |
| BEACON MEDICAL PRODUCTS, INC | | | | |
| A designer, manufacturer and marketer of medical air and gas distribution systems. | | | | |
| Senior Secured Floating Rate Revolving Credit Facility due 2007 | \$ | 65,896 | | 04/09/0 |
| Senior Secured Tranche A Floating Rate Note due 2008 | \$ | 490,243 | | 04/09/0 |
| 12% Senior Secured Note due 2010 | \$ | 412,112 | | 04/09/0 |
| Limited Partnership Interest of Riverside Capital Appreciation Fund IV, L.P. (B) | | | 6.38% int. | 04/09/0 |
| Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B) | | | 794 shs. | 04/09/0 |
| 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 | | 03/31/0 |
| Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B) | | | 2,421 shs. | 03/31/0 |
| BETTER MINERALS & AGGREGATES | | | | |
| A producer of high grade industrial and specialty silica sands | | | | |
| 14% Redeemable Preferred Stock (B) | | | 499 shs. | 09/30/9 |
| Convertible Preferred Stock Series A and B, convertible into common stock at \$9.26 per share (B) | | | 62,997 shs. | 12/19/9 |
| Common Stock (B) | | | 10,013 shs. | 09/30/9 |
| Warrants, exercisable until 2005 and 2010, to purchase common stock at \$.01 per share (B) | | | 5,700 shs. | |

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*12/19/96 and 09/30/99

BRAMPTON FASTENER CO. LTD

A value-added national distributor of maintenance, repair and operating supplies such as fasteners

| | | |
|--|-------------|----------|
| 8% Senior Secured Term A Note due 2009 | \$ 430,000 | 12/31/09 |
| 12% Senior Secured Term B Note due 2009 | \$ 430,000 | 12/31/09 |
| Limited Partnership Interest of Brafasco Investors LLC (B) | 44,000 uts. | 12/31/09 |
| Preferred Stock (B) | 155 shs. | 12/31/09 |

C & M CONVEYOR, INC

A manufacturer and supplier of material handling systems to the corrugated sheet and container industry

| | | |
|--|--------------|----------|
| 9.5% Senior Secured Term Note due 2007 | \$ 569,277 | 09/13/09 |
| 11% Senior Subordinated Note due 2010 | \$ 478,916 | 09/13/09 |
| Common Stock (B) | 180,723 shs. | 09/13/09 |
| Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B) | 78,386 shs. | 09/13/09 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

| | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|---|--|------------------|
| Corporate Restricted Securities - (A) continued | | |
| ----- | | |
| CAINS FOODS, L.P. | | |
| A producer of mayonnaise and sauce products for both the retail and food service markets. | | |
| Limited Partnership Interest (B) | 58 uts. | 09/29/99 |
| CAPEUCCESS LLC | | |
| A provider of diversified staffing services | | |
| Preferred Membership Interests (B) | 806 uts. | 04/29/09 |
| Common Membership Interests (B) | 10,421 uts. | 04/29/09 |
| CAPITAL SPECIALTY PLASTICS, INC | | |
| A producer of desiccant strips used for packaging pharmaceuticals products. | | |
| Common Stock (B) | 55 shs. | |
| *12/30/97 and 05/29/99 | | |
| CHEMED CORPORATION | | |
| An operator in the residential and commercial repair-and-maintenance service industry through two wholly owned subsidiaries, Roto-Rooter and Service America. | | |
| Common Stock | 10,500 shs. | 02/24/09 |
| COEUR, INC | | |
| A producer of proprietary, disposable power injection syringes | | |
| 8.75% Senior Secured Term Note due 2010 | \$ 326,087 | 04/30/09 |

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| | | | |
|---|----|-------------|---------|
| 11.5% Senior Subordinated Note due 2011 | \$ | 242,754 | 04/30/0 |
| Common Stock (B) | | 72,463 shs. | 04/30/0 |
| Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B) | | 50,099 shs. | 04/30/0 |

COINING CORPORATION OF AMERICA LLC
 A manufacturer of close tolerance parts and metal stampings
 Senior Secured Floating Rate Revolving Credit
 Facility due 2006

| | | | |
|---|----|-------------|---------|
| | \$ | 74,074 | 01/07/0 |
| Senior Secured Floating Rate Tranche A Note due 2007 | \$ | 567,901 | 06/26/0 |
| 13% Senior Secured Tranche B Note due 2006 | \$ | 370,370 | 06/26/0 |
| Limited Partnership Interest (B) | | 3.65% int. | 06/26/0 |
| Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B) | | 61,163 shs. | 06/26/0 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS
 December 31, 2004

| | | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|---|--|--|------------------|
| Corporate Restricted Securities - (A) continued | | | |

COLIBRI HOLDINGS CORPORATION
 A manufacturer and distributor of wild bird feeders and accessories

| | | | |
|---|----|----------|---------|
| 12.5% Senior Subordinated Note due 2008 | \$ | 843,750 | 09/22/0 |
| 28% Preferred Stock (B) | | 38 shs. | 11/02/0 |
| 20% Preferred Stock (B) | | 35 shs. | 03/09/0 |
| Common Stock (B) | | 756 shs. | 09/22/0 |
| Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B) | | 446 shs. | 09/22/0 |

CORVEST GROUP, INC
 A manufacturer and distributor of promotional products

| | | | |
|---|----|-------------|--|
| 12% Senior Subordinated Note due 2007 (B) | \$ | 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

DELSTAR HOLDING CORPORATION
 A manufacturer of plastic netting for a wide variety of industries

| | | | |
|--|--|------------|---------|
| Convertible Preferred Stock, convertible into common stock at \$10 per share (B) | | 1,758 shs. | 10/05/0 |
| Convertible Preferred Stock, convertible into common stock at \$11.84 per share (B) | | 206 shs. | 09/16/0 |

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DEXTER MAGNETICS TECHNOLOGIES, INC

| | | |
|--|------------|-------------------|
| A designer, fabricator, assembler and distributor of industrial magnets and subassemblies in North America | | |
| 12% Senior Subordinated Note due 2006 | \$ 203,804 | 07/19/00 |
| Common Stock (B) | | 310 shs. 07/19/00 |
| Warrant, exercisable until 2006, to purchase common stock at \$.01 per share (B) | | 157 shs. 07/19/00 |

DIRECTED ELECTRONICS, INC

| | | |
|--|-------------|----------------------|
| A designer and distributor of brand name automotive security systems, audio products and installation services | | |
| Class B Common Stock (B) | 19,394 shs. | 12/22/99 |
| Limited Partnership Interest (B) | | 4.61% int. 12/22/99 |
| Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B) | | 25,713 shs. 12/22/99 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2004

| | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|---|--|---------------------|
| Corporate Restricted Securities - (A)continued | | |
| ----- | | |
| 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. | 08/27/99 |
| Preferred Stock (B) | | 1,639 shs. 12/14/00 |
| 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 | 10/30/00 |
| Common Stock (B) | | 3,656 shs. * |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | | 1,077 shs. 10/30/00 |
| **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. | | |
| 15% Senior Subordinated Note due 2012 | \$ 1,133,507 | 06/28/00 |
| Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B) | | 11 shs. 06/28/00 |

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EAGLE PACK PET FOODS, INC

A manufacturer of premium pet food sold through independent pet stores.

| | | | | |
|---|----|---------|------------|---------|
| 14% Senior Subordinated Note due 2011 | \$ | 562,500 | | 09/24/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | | | 2,163 shs. | 09/24/0 |

EAGLE WINDOW & DOOR HOLDING CO

A manufacturer of wood and aluminum-clad wood windows and doors

| | | | | |
|---|----|-----------|----------|---------|
| 12% Senior Subordinated Note due 2010 | \$ | 1,000,000 | | 05/06/0 |
| Common Stock (B) | | | 125 shs. | 05/06/0 |
| Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B) | | | 232 shs. | 05/06/0 |

EAST RIVER VENTURES I, L.P.

An acquirer of controlling or substantial interests in other entities.

| | | | | |
|----------------------------------|--|------------|--|---------|
| Limited Partnership Interest (B) | | 0.04% int. | | 01/01/0 |
|----------------------------------|--|------------|--|---------|

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2004

| | | Shares, Units Warrants, Ownership or Principal Amount | | Acquisit Date |
|--|--|--|--|------------------|
| Corporate Restricted Securities - (A)continued | | | | |
| ----- | | | | |

ENZYMATIC THERAPY, INC

A manufacturer and distributor of branded natural medicines and nutritional supplements.

| | | | | |
|---|----|---------|------------|---------|
| 13% Senior Subordinated Note due 2006 (B) | \$ | 843,750 | | 09/17/0 |
| Limited Partnership Interest (B) | | | 0.70% int. | 03/30/0 |
| Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B) | | | 253 shs. | 03/30/0 |

EURO-PRO CORPORATION

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 | | 09/09/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | | | 23,229 shs. | 09/09/0 |

EVANS CONSOLES, INC

A designer and manufacturer of consoles and control center systems

| | | | | |
|---|----|---------|-------------|---------|
| 10% Senior Secured Note due 2006 | \$ | 100,634 | | 05/06/0 |
| Limited Partnership Interest of CM Equity Partners (B) | | | 1.21% int. | 02/11/9 |
| Common Stock (B) | | | 45,000 shs. | 05/06/0 |

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G C-SUN HOLDINGS, L.P.

A value-added national distributor of maintenance, repair and operating supplies such as fasteners
Warrant, exercisable until 2008, to purchase
common stock at \$.01 per share (B) 469 shs. 03/02/0

HAMILTON FUNERAL SERVICES CENTERS, INC

A privately held owner and operator of funeral homes in the United States.
16.5% Senior Subordinated Note due 2007 (B) \$ 2,208,026
Warrant, exercisable until 2007, to purchase
common stock at \$1 per share (B) 196,421 shs.

*01/25/99 and 07/16/99

HIGHGATE CAPITAL LLC

An acquirer of controlling or substantial interests in manufacturing and marketing entities.
Series A Preferred Units (B) 0.30% int. 7/21/9

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

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2004

| Corporate Restricted Securities - (A)continued | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|--|--|------------------|
| <hr/> | | |
| HUSSEY SEATING CORPORATION | | |
| A manufacturer of spectator seating products | | |
| Senior Secured Floating Rate Revolving Note due 2006 | \$ 1,054,767 | 06/12/9 |
| Senior Secured Floating Rate Note due 2006 | \$ 216,563 | |
| 12% Senior Subordinated Note due 2006 | \$ 675,000 | 03/31/0 |
| Common Stock (B) | 2,860 shs. | 03/12/0 |
| *06/12/96 and 08/03/01 | | |
| INTEGRATION TECHNOLOGY SYSTEMS, INC | | |
| A manufacturer of steel protective computer and network systems for the industrial and office envi | | |
| 16.5% Senior Secured Note due 2006 | \$ 915,185 | 03/01/0 |
| Common Stock (B) | 130 shs. | 06/01/0 |
| JASON, INC | | |
| A diversified manufacturing company serving various industrial markets. | | |
| 13% Senior Subordinated Note due 2008 | \$ 510,187 | 08/04/0 |
| 14% Cumulative Redeemable Preferred Stock Series A (B) | 153 shs. | 08/04/0 |
| Limited Partnership Interest of | | |

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| | | |
|---|-------------|---------|
| Saw Mill Capital Fund II, L.P. (B) | 1.30% int. | 08/03/0 |
| Warrants, exercisable until 2008 and 2009, to purchase common stock at \$.01 per share (B) | 26,931 shs. | 08/04/0 |
| | | |
| JUSTRITE MANUFACTURING ACQUISITION CO | | |
| A manufacturer of safety products such as storage cabinets and containers. | | |
| 12% Senior Subordinated Note due 2011 | \$ 843,750 | 12/15/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | 593 shs. | 12/15/0 |
| | | |
| KEEPSAKE QUILTING, INC | | |
| A seller of quilting fabrics, books, patterns, kits and notions to consumers. | | |
| Senior Secured Floating Rate Revolving Note due 2005 | \$ 20,967 | 06/16/0 |
| Senior Secured Floating Rate Tranche A Note due 2007 | \$ 382,653 | 06/16/0 |
| 12% Senior Secured Tranche B Note due 2008 | \$ 314,509 | 06/16/0 |
| Limited Partnership Interest of | | |
| Riverside XVI Holding Company, L.P. (B) | 3.02% int. | 06/12/0 |
| Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B) | 633 shs. | 06/12/0 |
| | | |
| KELE AND ASSOCIATES, INC | | |
| A distributor of building automation control products | | |
| 12% Senior Subordinated Note due 2012 | \$ 969,643 | 02/27/0 |
| Common Stock (B) | 18 shs. | 02/27/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | 6 shs. | 02/27/0 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2004

| | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|---|--|------------------|
| Corporate Restricted Securities - (A) continued | | |
| ----- | | |
| KENAN-ADVANTAGE TRANSPORT COMPANY | | |
| A transporter of light petroleum, petrochemicals, lubricants and residual fuels. | | |
| 12.5% Senior Subordinated Note due 2009 | \$ 962,170 | 04/30/0 |
| Preferred Stock (B) | 163 shs. | 04/30/0 |
| Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B) | 142 shs. | 04/30/0 |
| | | |
| LANCASTER LABORATORIES, INC | | |
| A laboratory testing operation in the United States | | |
| Common Stock (B) | 455,739 shs. | 09/25/0 |

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LIH INVESTORS, L.P.

A manufacturer and marketer of a broad line of external accessories for new and used sport utility

| | | | |
|---|----|------------|------------|
| 12.5% Senior Subordinated Note due 2008 | \$ | 2,036,000 | |
| 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

MAVERICK ACQUISITION COMPANY

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

| | | | |
|---|----|------------|------------------|
| Senior Secured Floating Rate Tranche A Note due 2010 | \$ | 447,762 | 09/03/0 |
| 12% Senior Secured Tranche B Note due 2011 | \$ | 179,104 | 09/03/0 |
| Limited Partnership Interest (B) | | 4.48% int. | 09/03/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | | | 243 shs. 09/03/0 |

MAXON CORPORATION

A manufacturer of industrial combustion equipment and related shut-off valves and control valves.

| | | | |
|---|----|--------------|---------------------|
| 12% Senior Subordinated Note due 2012 | \$ | 549,837 | 09/30/0 |
| 8.75% Senior Subordinated Note due 2012 | \$ | 732,065 | 09/30/0 |
| Common Stock (B) | | 218,099 shs. | 09/30/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | | | 87,755 shs. 09/30/0 |

MEDASSIST, INC

A provider of patient eligibility and accounts receivable management services to hospitals and ph

| | | | |
|---|----|-------------|---------------------|
| 12% Senior Subordinated Note due 2011 | \$ | 1,125,000 | 05/01/0 |
| 8% Preferred Stock (B) | | 44 shs. | 10/28/0 |
| Common Stock (B) | | 13,863 shs. | 10/28/0 |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B) | | | 44,054 shs. 05/01/0 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2004

| | | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|--|----|--|------------------|
| Corporate Restricted Securities - (A) continued | | | |
| ----- | | | |
| MOSS, INC | | | |
| A manufacturer and distributor of large display and exhibit structures. | | | |
| Senior Secured Floating Rate Tranche A Note due 2007 | \$ | 515,185 | 09/21/0 |
| 12% Senior Secured Tranche B Note due 2008 | \$ | 192,200 | 09/21/0 |
| Limited Partnership Interest of Riverside Capital Appreciation Fund I, L.P. (B) | | 21.37% int. | |
| Warrant, exercisable until 2008, to purchase | | | |

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| | | |
|--|------------------|----------|
| common stock at \$100 per share (B) | 264 shs. | 09/21/0 |
| *09/20/00 and 05/23/02 | | |
| 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. | 12/11/0 |
| NEFF MOTIVATION, INC | | |
| A manufacturer and distributor of customized awards and sportswear to schools. | | |
| 12.5% Senior Subordinated Note due 2011 | \$ 562,500 | 01/31/0 |
| Warrant, exercisable until 2011, to purchase | | |
| common stock at \$.01 per share (B) | 112 shs. | 01/31/0 |
| 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 | 03/29/0 |
| 10% Preferred Stock (B) | 135 shs. | 03/29/0 |
| Common Stock (B) | 3,418 shs. | 03/29/0 |
| Warrant, exercisable until 2012, to purchase | | |
| common stock at \$.01 per share (B) | 4,565 shs. | 03/29/0 |
| NPC, INC | | |
| A manufacturer of flexible connectors and equipment used in the installation of sewers and storm d | | |
| Senior Secured Floating Rate Revolving Note due 2006 | \$ 139,085 | 06/25/9 |
| Senior Secured Floating Rate Note due 2006 | \$ 1,118,644 | 06/25/9 |
| 12% Senior Secured Tranche B Note due 2007 | \$ 559,322 | 06/25/9 |
| Limited Partnership Interest of Riverside XIII | | |
| Holding Company L.P. (B) | 1.93% int. | 06/11/9 |
| Warrant, exercisable until 2007, to purchase | | |
| common stock at \$.01 per share (B) | 115 shs. | 06/25/9 |
| 21 | | |
| MassMutual Participation Investors | | |
| CONSOLIDATED SCHEDULE OF INVESTMENTS | | |
| December 31, 2004 | | |
| | Shares, | |
| | Units Warrants, | |
| | Ownership or | Acquisit |
| Corporate Restricted Securities - (A) continued | Principal Amount | Date |
| NYLONCRAFT, INC | | |
| A supplier of engineered plastic components for the automotive industry. | | |
| 9% Senior Secured Note due 2009 | \$ 464,286 | 01/28/0 |
| 11.5% Senior Subordinated Note due 2012 | \$ 857,143 | 01/28/0 |
| Common Stock (B) | 178,571 shs. | 01/28/0 |
| Warrant, exercisable until 2012, to purchase | | |
| common stock at \$.01 per share (B) | 138,928 shs. | 01/28/0 |

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OLYMPIC SALES, INC

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

| | | | |
|---|----|--------------|---------|
| 12% Senior Subordinated Note due 2006 | \$ | 1,387,000 | 08/07/9 |
| 12% Senior Subordinated Note due 2008 | \$ | 244,154 | 02/09/0 |
| Limited Partnership Interest of Riverside VIII, VIII-A and VIII-B Holding Company, L.P. (B) | | 795,964 uts. | |
| 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

PARADIGM PACKAGING, INC

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

| | | | |
|--|----|------------|---------|
| 12% Senior Subordinated Note due 2008 | \$ | 1,125,000 | 12/19/0 |
| Membership Interests of MM/Lincap PPI Investments, Inc., LLC (B) | | 1.28% int. | 12/21/0 |

P H I HOLDING COMPANY

A retailer of mid-priced gift items, home and garden decor, accessories and other similar consume

| | | | |
|--|----|-----------|---------|
| 12.5% Senior Subordinated Note due 2010 | \$ | 1,125,000 | 10/25/0 |
| Warrant, exercisable until 2010, to purchase common stock at \$.02 per share (B) | | 186 shs. | 10/25/0 |

PRECISION DYNAMICS, INC

Amanufacturer of custom-designed solenoid valves and controls

| | | | |
|--|----|----------|---------|
| Senior Secured Floating Rate Revolving Credit Facility due 2005 | \$ | 366,750 | 07/22/9 |
| Senior Secured Floating Rate Term Note due 2005 | \$ | 207,825 | 07/22/9 |
| 12% Senior Secured Term Note due 2005 | \$ | 163,000 | 07/22/9 |
| 8% Preferred Stock | | 219 shs. | 07/22/9 |
| Common Stock (B) | | 299 shs. | 07/22/9 |
| Warrant, exercisable until 2005, to purchase common stock at \$.01 per share (B) | | 162 shs. | 07/22/9 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2004

| | | Shares, Units Warrants, Ownership or | Acquisit Date |
|--|------------------|--|------------------|
| Corporate Restricted Securities - (A)continued | Principal Amount | | |

PROCESS CHEMICALS LLC

A specialty chemical company that manufactures processed chemicals for the fertilizer, asphalt an

| | | | |
|-----------------------------|--|------------|--|
| Common Membership Interests | | 4.50% int. | |
|-----------------------------|--|------------|--|

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*07/31/97 and 01/04/99

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. | 08/12/9 |
| Common Stock (B) | 867 shs. | * |

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

PW EAGLE, INC. - O.T.C

An extruder of small and medium diameter plastic pipe and tubing in the United States.

| | | |
|---|--------------|---------|
| Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B) | 101,505 shs. | 09/16/9 |
|---|--------------|---------|

QUALIS AUTOMOTIVE LLC

A distributor of aftermarket automotive brake and chassis products

| | | |
|---------------------------------------|------------|---------|
| 12% Senior Subordinated Note due 2012 | \$ 937,500 | 05/28/0 |
|---------------------------------------|------------|---------|

| | | |
|------------------|--------------|---------|
| Common Stock (B) | 187,500 shs. | 05/28/0 |
|------------------|--------------|---------|

| | | |
|---|--------------|---------|
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | 199,969 shs. | 05/28/0 |
|---|--------------|---------|

QUALSERV CORPORATION

A provider of foodservice equipment and supplies, to major restaurant chains and their franchisees

| | | |
|---------------------------------------|------------|---------|
| 14% Senior Subordinated Note due 2012 | \$ 992,415 | 07/09/0 |
|---------------------------------------|------------|---------|

| | | |
|----------------------------------|------------|---------|
| Limited Partnership Interest (B) | 4.90% int. | 07/09/0 |
|----------------------------------|------------|---------|

| | | |
|---|----------|---------|
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | 280 shs. | 07/09/0 |
|---|----------|---------|

RIVER RANCH FRESH FOODS LLC

A supplier of fresh produce to the retail and foodservice channels

| | | |
|---------------------------------------|------------|---------|
| 13% Senior Subordinated Note due 2011 | \$ 975,000 | 09/29/0 |
|---------------------------------------|------------|---------|

| | | |
|----------------------------------|-------------|---------|
| Limited Partnership Interest (B) | 21,499 uts. | 09/29/0 |
|----------------------------------|-------------|---------|

| | | |
|---|-------------|---------|
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | 12,481 shs. | 09/29/0 |
|---|-------------|---------|

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2004

| | Shares, Units Warrants, Ownership or | Acquisit Date |
|---|--|------------------|
| Corporate Restricted Securities - (A) continued | Principal Amount | |

ROYAL BATHS MANUFACTURING COMPANY

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

| | | |
|---|------------|---------|
| 12.5% Senior Subordinated Note due 2011 | \$ 562,500 | 11/14/0 |
|---|------------|---------|

| | | |
|---|---------|---------|
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | 74 shs. | 11/14/0 |
|---|---------|---------|

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SAFETY SPEED CUT MANUFACTURING COMPANY, INC

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

| | | | |
|--|----|----------|---------|
| Senior Secured Floating Rate Revolving Note due 2006 | \$ | 21,536 | 05/01/0 |
| Senior Secured Floating Rate Tranche A Note due 2007 | \$ | 726,850 | 06/02/9 |
| 12% Senior Secured Tranche B Note due 2007 | \$ | 646,089 | 06/02/9 |
| Class B Common Stock (B) | | 846 shs. | 06/02/9 |

SAVAGE SPORTS HOLDING, INC

Amanufacturer of sporting firearms

| | | | |
|---|----|----------|---------|
| 12% Senior Subordinated Note due 2012 | \$ | 814,655 | 09/10/0 |
| Common Stock (B) | | 310 shs. | 09/10/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | | 71 shs. | 09/10/0 |

SELIG ACQUISITION CORPORATION

Amanufacturer of container sealing materials for bottles used in consumer products.

| | | | |
|---|----|------------|---------|
| 12% Senior Subordinated Note due 2009 | \$ | 1,125,000 | 06/13/0 |
| Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B) | | 1,064 shs. | 06/13/0 |

SHELTER ACQUISITION, INC

A distributor of roofing supplies and products throughout the Midwest.

| | | | |
|---|----|--------------|---------|
| 12.5% Senior Subordinated Note due 2008 | \$ | 803,571 | 08/01/0 |
| Common Stock (B) | | 477,411 shs. | |
| Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B) | | 139,470 shs. | 08/01/0 |

*08/01/02, 01/17/03 and 12/31/04

SNYDER INDUSTRIES, INC

Amanufacturer of proprietary rotationally molded polyethylene containers.

| | | | |
|---|----|-----------|---------|
| 12.25% Senior Subordinated Note due 2008 | \$ | 2,250,000 | 12/06/9 |
| Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B) | | 369 shs. | 12/06/9 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2004

| | | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|--|--|--|------------------|
| Corporate Restricted Securities - (A)continued | | | |

SPECIALTY FOODS GROUP, INC

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Amanufacturer and distributor of branded meat products
 Limited Partnership Interest of MHD Holdings LLC (B) 0.76% int. 08/29/0

SPORT COURT INTERNATIONAL, INC

A designer and manufacturer of synthetic indoor and outdoor sports flooring and other temporary f
 Senior Secured Floating Rate Revolving Note due 2009 \$ 106,143 08/12/0
 Senior Secured Floating Rate Note due 2009 \$ 301,240 08/12/0
 12% Senior Secured Note due 2012 \$ 145,304 08/12/0
 Limited Partnership Interest (B) 4.44% int. 08/12/0
 Warrant, exercisable until 2012, to purchase
 common stock at \$.01 per share (B) 19 shs. 08/12/0

STRATEGIC EQUIPMENT & SUPPLY CORPORATION, INC

A provider of kitchen and restaurant design, equipment fabrication and installation services.
 12% Senior Subordinated Note due 2008 \$ 2,250,000 01/14/0
 Warrant, exercisable until 2008, to purchase
 common stock at \$.01 per share (B) 61,862 shs. 01/14/0

SYNVENTIVE EQUITY LLC

Amanufacturer of hot runner systems used in the plastic injection molding process.
 12% Senior Subordinated Note due 2007 \$ 975,000 08/21/0
 Limited Partnership Interest (B) 1.05% int. 08/20/0
 Warrant, exercisable until 2011, to purchase
 common stock at \$.01 per share (B) 45,942 shs. 08/21/0

THE TRANZONIC COMPANIES

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 02/05/9
 Common Stock (B) 315 shs. 02/04/9
 Warrant, exercisable until 2006, to purchase
 common stock at \$.01 per share (B) 222 shs. 02/05/9

TIDEWATER HOLDINGS, INC

An operator of a barge transportation line on the Columbia/Snake River system.
 17% Preferred Stock (B) 280 shs. 12/23/0
 Convertible Preferred Stock, convertible into
 common stock at \$1,000 per share (B) 560 shs. 07/25/9
 Warrant, exercisable until 2008, to purchase
 common stock at \$.01 per share (B) 237 shs. 07/25/9

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS
 December 31, 2004

Shares,
 Units Warrants,

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| Corporate Restricted Securities - (A) continued | Ownership or Principal Amount | Acquisit Date |
|---|----------------------------------|------------------|
| TOMAH HOLDINGS, INC | | |
| A manufacturer of specialty chemicals | | |
| 16% Senior Subordinated Note due 2011 | \$ 773,875 | 12/08/0 |
| 16% Preferred Stock Series A (B) | 20 shs. | 12/08/0 |
| Common Stock (B) | 2,789 shs. | 12/08/0 |
| TRONAIR, INC | | |
| A designer, engineer and manufacturer of ground support equipment for the business, commuter and | | |
| 10.5% Senior Secured Term Note due 2008 | \$ 902,572 | 01/20/0 |
| 12% Senior Subordinated Note due 2010 | \$ 758,100 | 01/20/0 |
| Common Stock (B) | 129,960 shs. | 01/20/0 |
| Warrant, exercisable until 2010, to purchase common stock at \$1 per share (B) | 148,912 shs. | 01/20/0 |
| TRUSTILE DOORS, INC | | |
| A manufacturer and distributor of interior doors | | |
| 12.5% Senior Subordinated Note due 2010 | \$ 562,500 | 04/11/0 |
| Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B) | 3,060 shs. | 04/11/0 |
| 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 | 05/28/0 |
| 8.75% Senior Secured Note due 2011 | \$ 409,310 | 05/28/0 |
| Common Stock (B) | 385,233 shs. | 05/28/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | 116,521 shs. | 05/28/0 |
| TVI, INC | | |
| A retailer of used clothing in the United States, Canada and Australia. | | |
| Common Stock (B) | 187,500 shs. | 05/02/0 |
| U S M HOLDINGS CORPORATION | | |
| A provider of facility maintenance services to retail and corporate clients with multiple locatio | | |
| 12% Senior Subordinated Note due 2011 | \$ 947,368 | 08/06/0 |
| Preferred Stock (B) | 1,771 shs. | 08/06/0 |
| Common Stock (B) | 546 shs. | 08/06/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | 502 shs. | 08/06/0 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

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| Corporate Restricted Securities - (A)continued | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|--|--|------------------|
| U-LINE CORPORATION | | |
| A manufacturer of high-end, built-in, undercounter icemaking, wine storage and refrigeration appli | | |
| 12.5% Senior Subordinated Note due 2012 | \$ 996,500 | 04/30/0 |
| 10% Junior Subordinated Note due 2012 | \$ 33,705 | 04/30/0 |
| Common Stock (B) | 96 shs. | 04/30/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | 122 shs. | 04/30/0 |
| VICTORY VENTURES LLC | | |
| An acquirer of controlling or substantial interests in other entities. | | |
| Series A Preferred Units (B) | 0.03% int. | 12/02/9 |
| VITALITY FOODSERVICE, INC | | |
| A non-carbonated beverage dispensing company focused on the foodservice industry. | | |
| 13% Senior Subordinated Note due 2011 | \$ 999,153 | 09/24/0 |
| Common Stock (B) | 12,585 shs. | 09/24/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | 12,593 shs. | 09/24/0 |
| VITEX PACKAGING GROUP, INC | | |
| A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags and medical a | | |
| 12.5% Senior Subordinated Note due 2012 | \$ 900,000 | 07/19/0 |
| Limited Partnership Interest Class A (B) | 219,375 uts. | 07/19/0 |
| Limited Partnership Interest Class B (B) | 96,848 uts. | 07/19/0 |
| WALLS INDUSTRIES, INC | | |
| A provider of branded workwear and sporting goods apparel | | |
| 10% Senior Subordinated Lien Note due 2009 | \$ 532,895 | 07/12/0 |
| 14% Senior Subordinated Note due 2012 | \$ 555,056 | 07/12/0 |
| Limited Partnership Interest (B) | 0.20% int. | 07/12/0 |
| Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B) | 2,133 shs. | 07/12/0 |
| WASHINGTON INVENTORY SERVICES, INC | | |
| A provider of physical inventory taking and other related services to retailers. | | |
| 12.5% Senior Subordinated Note due 2011 | \$ 569,524 | 11/03/0 |
| Senior Preferred Stock (B) | 2,484 shs. | 11/01/0 |
| Class B Common Stock (B) | 4,743 shs. | 11/01/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | 2,107 shs. | 11/03/0 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

| Corporate Restricted Securities - (A)continued | Shares, Units Warrants, Ownership or Principal Amount | Acquisit Date |
|---|--|------------------|
| ----- | | |
| WEASLER HOLDINGS LLC | | |
| Amanufacturer of mechanical power transmission components for the agricultural, lawn and turf ind | | |
| Limited Partnership Interest (B) | 0.82% int. | 02/03/0 |
| Warrant, exercisable until 2010, to purchase | | |
| common stock at \$.01 per share (B) | 136 shs. | 02/04/0 |
| | | |
| WICOR AMERICAS, INC | | |
| Amanufacturer of cellulose based insulation products, systems and services for electrical transfo | | |
| 20% Senior Subordinated Secured Note due 2009 | \$ 1,380,834 | 11/09/0 |
| | | |
| Total Private Placement Investments | | |

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CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

| Corporate Restricted Securities:(a) continued | Interest Rate | Due Date | Shares or Principal Amount |
|---|------------------|-------------|----------------------------------|
| ----- | | | |
| RULE 144A SECURITIES - 7.48%: (A) | | | |
| BONDS - 7.06% | | | |
| A E S Corporation | 8.750% | 05/15/13 | \$ 425,000 |
| A E S Corporation | 9.000 | 05/15/15 | 175,000 |
| BCP Caylux Holding Lux SCA | 9.625 | 06/15/14 | 550,000 |
| 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 |
| Cablevision Systems Corporation | 6.669 | 04/01/09 | 450,000 |
| Charter Communications Op LLC | 8.000 | 04/30/12 | 500,000 |
| Douglas Dynamics LLC | 7.750 | 01/15/12 | 175,000 |
| GulfMark Offshore, Inc. | 7.750 | 07/15/14 | 300,000 |
| Interactive Health LLC | 7.250 | 04/01/11 | 500,000 |
| Jostens I H Corporation | 7.625 | 10/01/12 | 325,000 |
| K 2, Inc. | 7.375 | 07/01/14 | 150,000 |
| Magnachip Semiconductor | 8.000 | 12/15/14 | 50,000 |
| Markwest Energy | 6.875 | 11/01/14 | 250,000 |
| Metaldyne Corporation | 10.000 | 11/01/13 | 340,000 |
| Pinnacle Foods Holding | 8.250 | 12/01/13 | 225,000 |
| Rogers Wireless, Inc. | 7.250 | 12/15/12 | 90,000 |
| Rogers Wireless, Inc. | 7.500 | 03/15/15 | 60,000 |
| Rogers Wireless, Inc. | 8.000 | 12/15/12 | 90,000 |
| Siebe PLC | 6.500 | 01/15/10 | 350,000 |
| T C W Lev Income Trust, L.P. | 8.410 | 09/30/04 | 978,571 |
| Tenet Healthcare Corporation | 9.875 | 07/01/14 | 350,000 |
| Texas Genco LLC | 6.875 | 12/15/14 | 350,000 |
| Universal City Florida | 7.200 | 05/01/10 | 100,000 |
| Universal City Florida | 8.375 | 05/01/10 | 100,000 |
| Warner Music Group | 7.375 | 04/15/14 | 125,000 |
| | | | ----- |
| TOTAL BONDS | | | \$ 8,283,571 |
| | | | ----- |
| CONVERTIBLE BONDS - 0.42% | | | |
| Cymer, Inc. | 3.500% | 02/15/09 | \$ 450,000 |
| | | | ----- |
| TOTAL CONVERTIBLE BONDS | | | \$ 450,000 |
| | | | ----- |
| WARRANTS - 0.00% | | | |
| Winsloew Furniture, Inc. (B) | | | 700 |
| | | | ----- |
| TOTAL WARRANTS | | | 700 |
| | | | ----- |
| TOTAL RULE 144A SECURITIES | | | 700 |
| | | | ----- |
| TOTAL CORPORATE RESTRICTED SECURITIES | | | 700 |

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CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

| Corporate Public Securities -- 26.43%:(A) | Interest Rate | Due Date | Principal Amount |
|---|------------------|-------------|---------------------|
| ----- | | | |
| BONDS - 22.91% | | | |
| A E P Industries, Inc. | 9.875% | 11/15/07 | \$ 150,000 |
| Abitibi-Consolidated, Inc. | 7.750 | 06/15/11 | 500,000 |
| Activant Solutions, Inc. | 10.500 | 06/15/11 | 475,000 |
| 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 |
| C S C Holdings, Inc. | 7.625 | 04/01/11 | 250,000 |
| 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 | 150,000 |
| Cincinnati Bell, Inc. | 8.375 | 01/15/14 | 550,000 |
| Collins & Aikman Products Co. | 10.750 | 12/31/11 | 450,000 |
| 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 |
| Esterline Technologies | 7.750 | 06/15/13 | 175,000 |
| Ford Motor Credit Co. | 5.800 | 01/12/09 | 500,000 |
| G F S I, Inc. | 9.625 | 03/01/07 | 375,000 |
| Gencorp, Inc. | 9.500 | 08/15/13 | 200,000 |
| General Motors Accept Corporation | 5.850 | 01/14/09 | 500,000 |
| General Nutrition Center | 8.500 | 12/01/10 | 425,000 |
| Goodyear Tire & Rubber Co. | 7.857 | 08/15/11 | 350,000 |
| Hexcel Corporation | 9.750 | 01/15/09 | 340,000 |
| Houghton Mifflin Co. | 9.875 | 02/01/13 | 500,000 |
| Huntsman LLC | 11.625 | 10/15/10 | 250,000 |
| Imax Corporation | 9.625 | 12/01/10 | 250,000 |
| Intrawest Corporation | 7.500 | 10/15/13 | 250,000 |
| Koppers, Inc. | 9.875 | 10/15/13 | 250,000 |
| Leucadia National Corporation | 7.000 | 08/15/13 | 350,000 |
| Lodgenet Entertainment Corporation | 9.500 | 06/15/13 | 375,000 |
| Lyondell Chemical Co. | 9.500 | 12/15/08 | 450,000 |
| M G M Mirage, Inc. | 6.000 | 10/01/09 | 225,000 |
| M S X International, Inc. | 11.000 | 10/15/07 | 175,000 |
| 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 | 600,000 |
| Nalco Co. | 7.750 | 11/15/11 | 250,000 |
| Neff Corporation | 10.250 | 06/01/08 | 90,000 |
| Nextel Communications Corporation | 7.375 | 08/01/15 | 400,000 |
| North Amer Energy Partners | 8.750 | 12/01/11 | 200,000 |
| Northwest Airlines Corporation | 8.970 | 01/02/15 | 711,425 |
| Numatics, Inc. | 9.625 | 04/01/08 | 375,000 |
| 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 |

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MassMutual Participation Investors

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CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

| Corporate Public Securities:(A) continued | Interest Rate | Due Date | Principal Amount |
|---|---------------|----------|------------------|
| Pacific Energy Partners | 7.125% | 06/15/14 | \$ 250,000 |
| Pliant Corporation | 0.000 | 06/15/09 | 675,000 |
| 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 |
| S P X Corporation | 6.250 | 06/15/11 | 250,000 |
| Service Corporation International | 6.000 | 12/15/05 | 21,000 |
| 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 |
| Triton P C S, Inc. | 8.500 | 06/01/13 | 500,000 |
| Tyco International Group SA | 6.375 | 10/15/11 | 150,000 |
| United Rentals, Inc. | 7.750 | 11/15/13 | 325,000 |
| 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 |
| Williams Scotsman, Inc. | 9.875 | 06/01/07 | 250,000 |
| Wornick Co. | 10.875 | 07/15/11 | 350,000 |
| TOTAL BONDS | | | \$ 23,921,425 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

| Corporate Public Securities:(A) continued | Interest Rate | Due Date | Shares or Principal Amount |
|---|---------------|----------|----------------------------|
|---|---------------|----------|----------------------------|

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| | |
|------------------------------------|---------|
| COMMON STOCK - 2.94% | |
| Bill Barrett Corporation (B) | 14,800 |
| Calamos Asset Management, Inc. (B) | 7,500 |
| Conor Medsystems, Inc. (B) | 1,700 |
| Distributed Energy Systems | 14,000 |
| Dreamworks Animation SKG (B) | 3,500 |
| Foundation Coal Holdings, Inc. (B) | 1,800 |
| H C I Direct, Inc. (B) | 500 |
| Iowa Telecomm Services, Inc. (B) | 3,500 |
| Las Vegas Sands Corporation (B) | 300 |
| Orange 21, Inc. (B) | 5,200 |
| Rent-Way, Inc. (B) | 46,432 |
| The 9 Limited (B) | 1,700 |
| Transmontaigne, Inc. (B) | 277,771 |

TOTAL COMMON STOCK

CONVERTIBLE BONDS - 0.58%

| | | | |
|-------------------------------|--------|----------|------------|
| Leucadia National Corporation | 3.750% | 04/15/14 | \$ 500,000 |
|-------------------------------|--------|----------|------------|

TOTAL CONVERTIBLE BONDS

\$ 500,000

TOTAL CORPORATE PUBLIC SECURITIES

| Short-Term Securities | Interest Rate/yield | Due Date | Principal Amount |
|--|---------------------|----------|------------------|
| ----- | | | |
| COMMERCIAL PAPER - 5.19% | | | |
| Albertson's, Inc. | 2.401% | 01/04/05 | \$ 1,059,000 |
| DaimlerChrysler NA Holding Corporation | 2.250 | 01/03/05 | 558,000 |
| DaimlerChrysler NA Holding Corporation | 2.400 | 01/07/05 | 990,000 |
| Kinder Morgan Energy Partners L.P. | 2.451 | 01/06/05 | 1,500,000 |
| Ryder System, Inc. | 2.500 | 01/05/05 | 1,475,000 |
| | | | ----- |
| Total Short-Term Securities | | | \$ 5,582,000 |
| | | | ----- |
| Total Investments | 119.67% | | |
| Other Assets | 5.35 | | |
| Liabilities | (25.02) | | |
| | ----- | | |
| 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.

See Notes to Consolidated Financial Statements.

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

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| Industry Classification: | Fair Value/ Market Value |
|--|-----------------------------|
| ----- | |
| AEROSPACE - 2.99% | |
| Argo Tech Corporation | \$ 466,438 |
| Bombardier, Inc. | 433,750 |
| Esterline Technologies | 191,188 |
| Hexcel Corporation | 353,600 |
| Qualis Automotive LLC | 1,141,725 |
| Vought Aircraft Industries | 632,125 |
| | ----- |
| | 3,218,826 |
| | ----- |
| AIRLINES - 0.45% | |
| Northwest Airlines Corporation | 481,300 |
| | ----- |
| AUTOMOBILE - 7.74% | |
| America's Body Company, Inc./LCP Holding Co. | 1,575,000 |
| Collins & Aikman Products Co. | 459,000 |
| Gencorp, Inc. | 223,000 |
| Goodyear Tire & Rubber Co. | 355,250 |
| Jason, Inc. | 849,514 |
| LIH Investors, L.P. | 2,726,591 |
| Metaldyne Corporation | 323,000 |
| Nyloncraft, Inc. | 1,818,614 |
| | ----- |
| | 8,329,969 |
| | ----- |
| BEVERAGE, DRUG & FOOD - 5.12% | |
| Beta Brands Ltd | -- |
| Cains Foods, L.P. | 205,837 |
| Del Monte Corporation | 224,000 |
| Dominos, Inc. | 119,083 |
| Eagle Pack Pet Foods, Inc. | 563,507 |
| Nonni's Food Company | 1,179,220 |
| Pinnacle Food Holding | 214,313 |
| River Ranch Fresh Foods LLC | 1,124,553 |
| Specialty Foods Group, Inc. | 71,836 |
| Vicorp Restaurants, Inc. | 301,500 |
| Vitality Foodservice, Inc. | 1,126,835 |
| Wornick Co. | 379,750 |
| | ----- |
| | 5,510,434 |
| | ----- |
| BROADCASTING & ENTERTAINMENT - 2.12% | |
| C S C Holdings, Inc. | 269,375 |
| Cablevision Systems Corporation | 477,000 |
| Charter Communications Op LLC | 520,000 |
| Lodgenet Entertainment Corporation | 414,375 |
| Mediacom LLC | 602,250 |
| | ----- |
| | 2,283,000 |
| | ----- |
| Industry Classification: continued | Fair Value/ Market Value |
| ----- | |
| BUILDINGS & REAL ESTATE - 5.47% | |
| AW C Holding Company | \$ 1,122,462 |

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| | |
|--|------------|
| Adorn, Inc. | 1,276,515 |
| Eagle Window & Door Holding Co. | 1,666,030 |
| Shelter Acquisition, Inc. | 1,250,707 |
| TruStile Doors, Inc. | 572,165 |
| | ----- |
| | 5,887,879 |
| | ----- |
| CARGO TRANSPORT - 2.13% | |
| Kenan-Advantage Transport Company | 1,307,414 |
| Tidewater Holdings, Inc. | 983,192 |
| | ----- |
| | 2,290,606 |
| | ----- |
| CHEMICAL, PLASTICS & RUBBER - 2.74% | |
| Capital Specialty Plastics, Inc. | 252 |
| Huntsman LLC | 295,625 |
| Koppers, Inc. | 285,000 |
| Lyondell Chemical Co. | 488,250 |
| Process Chemicals LLC | 144,000 |
| Rhodia SA | 533,125 |
| Tomah Holdings, Inc. | 1,198,076 |
| | ----- |
| | 2,944,328 |
| | ----- |
| CONSUMER PRODUCTS - 9.67% | |
| Appleton Papers, Inc. | 269,375 |
| Augusta Sportswear Holding Co. | 1,108,588 |
| Colibri Holdings Corporation | 1,016,814 |
| Euro-Pro Corporation | 1,127,961 |
| G F S I, Inc. | 363,750 |
| H C I Direct, Inc. | -- |
| Justrite Manufacturing Acquisition Co. | 841,017 |
| K 2, Inc. | 164,250 |
| Maverick Acquisition Company | 656,345 |
| Neff Motivation, Inc. | 86,625 |
| Rayovac Corporation | 194,250 |
| Royal Baths Manufacturing Company | 558,885 |
| Savage Sports Holding, Inc. | 1,107,289 |
| The Tranzonic Companies | 1,811,575 |
| Walls Industries, Inc. | 1,094,659 |
| Winsloew Furniture, Inc. | 11 |
| | ----- |
| | 10,401,394 |
| | ----- |
| CONTAINERS, PACKAGING & GLASS - 7.14% | |
| A E P Industries, Inc. | 152,625 |
| Paradigm Packaging, Inc. | 1,463,906 |
| Pliant Corporation | 623,531 |
| Selig Acquisition Corporation | 1,411,373 |
| Snyder Industries, Inc. | 2,361,135 |
| Tekni-Plex, Inc. | 475,000 |
| Vitex Packaging, Inc. | 1,190,439 |
| | ----- |
| | 7,678,009 |
| | ----- |
| | 33 |

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

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| Industry Classification: continued | Fair Value/ Market Value |
|---|-----------------------------|
| ----- | |
| DISTRIBUTION - 7.03% | |
| Brampton Fastener Co. Ltd | \$ 1,005,746 |
| Corvest Group, Inc. | 1,965,370 |
| G C-Sun Holdings L.P. | -- |
| Kele and Associates, Inc. | 1,234,224 |
| QualServ Corporation | 1,106,465 |
| Strategic Equip & Supply Corporation, Inc. | 2,250,000 |
| | ----- |
| | 7,561,805 |
| | ----- |
| DIVERSIFIED/CONGLOMERATE, MANUFACTURING - 4.05% | |
| Activant Solutions, Inc. | 510,625 |
| Coining of America LLC | 1,105,001 |
| Dexter Magnetics Technologies, Inc. | 703,313 |
| Douglas Dynamics LLC | 177,406 |
| Evans Consoles, Inc. | 100,634 |
| S P X Corporation | 263,750 |
| Tyco International Group SA | 165,607 |
| Wicor Americas, Inc. | 1,332,965 |
| | ----- |
| | 4,359,301 |
| | ----- |
| DIVERSIFIED/CONGLOMERATE, SERVICE - 8.06% | |
| Abitibi-Consolidated, Inc. | 525,000 |
| Allied Waste NA | 512,500 |
| Calamos Asset Management, Inc. | 202,500 |
| CapeSuccess LLC | 2,512 |
| Chemed Corporation | 1,331,655 |
| Diversco, Inc./DHI Holdings, Inc. | 696,032 |
| Dreamworks Animation SKG | 131,285 |
| Dwyer Group, Inc. | 1,319,966 |
| Hamilton Funeral Services Centers, Inc. | 220,803 |
| Lancaster Laboratories, Inc. | 434,775 |
| Moss, Inc. | 885,449 |
| M S X International, Inc. | 176,750 |
| Orange 21, Inc. | 54,340 |
| Service Corporation International | 21,367 |
| The 9 Limited | 40,154 |
| U S M Holdings Corporation | 1,150,359 |
| Universal City Florida | 207,750 |
| Washington Inventory Services, Inc. | 754,491 |
| | ----- |
| | 8,667,688 |
| | ----- |
| | Fair Value/ Market Value |
| ----- | |
| ELECTRONICS - 4.18% | |
| A E S Corporation | \$ 683,281 |
| Arrow Electronics, Inc. | 529,321 |
| Directed Electronics, Inc. | 1,134,746 |
| Distributed Energy Systems | 35,000 |
| Electronic Data Systems Corporation | 550,694 |
| Precision Dynamics, Inc. | 867,995 |
| Siebe PLC | 334,250 |

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| | |
|---|-----------|
| Texas Genco LLC | 361,813 |
| | ----- |
| | 4,497,100 |
| | ----- |
| FARMING & AGRICULTURE - 0.00% | |
| Protein Genetics, Inc. | -- |
| | ----- |
| FINANCIAL SERVICES - 3.60% | |
| BCP Caylux Holding Lux SCA | 620,125 |
| Bombardier Capital, Inc. | 500,000 |
| Dollar Financial Group | 352,625 |
| East River Ventures I, L.P. | 6,821 |
| Ford Motor Credit Co. | 511,071 |
| General Motors Acceptance Corporation | 506,584 |
| Highgate Capital LLC | 681 |
| Leucadia National Corporation | 978,625 |
| T C W Leveraged Income Trust, L.P. | 146,785 |
| Victory Ventures LLC | 2 |
| Williams Scotsman, Inc. | 250,000 |
| | ----- |
| | 3,873,319 |
| | ----- |
| HEALTHCARE, EDUCATION & CHILDCARE - 4.74% | |
| A T I Acquisition Company | 1,126,151 |
| American Hospice Management Holding LLC | 1,290,330 |
| Conor Medsystems, Inc. | 23,545 |
| Interactive Health LLC | 435,000 |
| MedAssist, Inc. | 1,333,266 |
| Quintiles Transnational Corporation | 280,000 |
| Tenet Healthcare Corporation | 613,375 |
| | ----- |
| | 5,101,667 |
| | ----- |
| HOME & OFFICE FURNISHINGS, HOUSEWARES, AND DURABLE CONSUMER PRODUCTS - 3.91% | |
| Home Decor Holding Company | 1,133,638 |
| Hussey Seating Corporation | 1,354,564 |
| Sport Court International, Inc. | 584,707 |
| U-Line Corporation | 1,136,238 |
| | ----- |
| | 4,209,147 |
| | ----- |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2004

| | Fair Value/ Market Value |
|---|-----------------------------|
| Industry Classification: continued | ----- |
| LEISURE, AMUSEMENT, ENTERTAINMENT - 2.40% | |
| IMAX Corporation | \$ 272,500 |
| Intrawest Corporation | 265,938 |
| Keepsake Quilting, Inc. | 914,773 |
| Las Vegas Sands Corporation | 14,400 |
| M G M Mirage, Inc. | 230,625 |

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| | |
|---|-----------|
| Majestic Star Casino LLC | 265,000 |
| O E D Corp/Diamond Jo Company Guarantee | 490,000 |
| Warner Music Group | 128,125 |
| | ----- |
| | 2,581,361 |
| | ----- |

MACHINERY - 12.52%

| | |
|--|------------|
| Aearo Co. | 231,750 |
| C & M Conveyor, Inc. | 1,211,744 |
| Integration Technology Systems, Inc. | 956,508 |
| Manitowoc Company, Inc. | 108,250 |
| Maxon Corporation | 1,479,496 |
| NPC, Inc. | 1,922,027 |
| Numatics, Inc. | 343,125 |
| PW Eagle, Inc. | 201,538 |
| Safety Speed Cut Manufacturing Company, Inc. | 1,643,849 |
| Synventive Equity LLC | 1,864,482 |
| Tronair, Inc. | 1,801,017 |
| Tubular Textile Machinery | 1,493,234 |
| Weasler Holdings LLC | 219,518 |
| | ----- |
| | 13,476,538 |
| | ----- |

MEDICAL DEVICES/BIOTECH - 2.76%

| | |
|-------------------------------|-----------|
| Beacon Medical Products, Inc. | 1,138,731 |
| Coeur, Inc. | 651,834 |
| E X C Acquisition Corporation | 1,178,765 |
| | ----- |
| | 2,969,330 |
| | ----- |

MINING, STEEL, IRON & NON PRECIOUS METALS - 0.05%

| | |
|------------------------------|--------|
| Better Minerals & Aggregates | 54,525 |
| | ----- |

OIL & GAS - 3.29%

| | |
|--------------------------------|-----------|
| Chesapeake Energy Corporation | 159,750 |
| Foundation Coal Holdings, Inc. | 41,508 |
| GulfMark Offshore, Inc. | 318,000 |
| Mustang Ventures Company | 496,624 |
| North American Energy Partners | 204,000 |
| Offshore Logistics, Inc. | 355,250 |
| Pacific Energy Partners | 266,250 |
| Transmontaigne, Inc. | 1,702,736 |
| | ----- |
| | 3,544,118 |
| | ----- |

| | |
|------------------------------------|--------------|
| | Fair Value/ |
| Industry Classification: continued | Market Value |
| | ----- |

PHARMACEUTICALS - 0.47%

| | |
|-------------------------|------------|
| Enzymatic Therapy, Inc. | \$ 509,066 |
| | ----- |

PUBLISHING/PRINTING - 1.87%

| | |
|-----------------------------------|-----------|
| American Media Operation, Inc. | 505,281 |
| Cadmus Communications Corporation | 381,063 |
| Houghton Mifflin Co. | 547,500 |
| Jostens I H Corporation | 338,000 |
| Sheridan Acquisition Corporation | 246,093 |
| | ----- |
| | 2,017,937 |
| | ----- |

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| | |
|---|------------------------|
| RETAIL STORES - 5.93% | |
| Blockbuster, Inc. | 271,563 |
| General Nutrition Center | 401,625 |
| Neff Corporation | 630,910 |
| Olympic Sales, Inc. | 1,890,321 |
| P H I Holding Company | 1,409,742 |
| Rent-A-Center, Inc. | 259,063 |
| Rent-Way, Inc. | 878,733 |
| Sports Club Co. | 97,000 |
| TVI, Inc. | 219,375 |
| United Rentals, Inc. | 318,500 |
| | ----- |
| | 6,376,832 |
| | ----- |
| Technology - 0.74% | |
| Convera Corporation | |
| Cymer, Inc. | 447,750 |
| Delstar Holding Corporation | 220,944 |
| Iowa Telecomm Services, Inc. | 75,495 |
| Magnachip Semiconductor | 52,125 |
| | ----- |
| | 796,314 |
| | ----- |
| Telecommunications - 1.86% | |
| Cincinnati Bell, Inc. | 556,875 |
| Nextel Communications Corporation | 440,000 |
| Rogers Wireless, Inc. | 253,875 |
| Telex Communications, Inc. | 272,500 |
| Triton P C S, Inc. | 482,500 |
| | ----- |
| | 2,005,750 |
| | ----- |
| Utilities - 1.45% | |
| Bill Barrett Corporation | 473,452 |
| Markwest Energy | 253,750 |
| Nalco Co. | 270,000 |
| Utilicorp United, Inc. | 566,250 |
| | 1,563,452 |
| | 35 |
| | ----- |
| TOTAL CORPORATE RESTRICTED AND PUBLIC SECURITIES - 114.48% | \$123,190,995 ===== |

See Notes to Consolidated Financial Statements.

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MassMutual Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. HISTORY

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

The Trust is a diversified closed-end management investment company. Babson

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Capital Management LLC, formerly David L. Babson & Company Inc. ("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 ("MMPI Subsidiary Trust") for the purpose of holding certain investments. The results of the MMPI Subsidiary Trust have been 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.

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

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any other factors affecting fair value, all in accordance with the Investment Company Act of 1940, as amended. 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 Securities Act of 1933 and any other developments which are likely to increase the probability that the securities may be publicly sold by the Trust without restriction.

The Trust's Board of Trustees meets 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 restricted securities valued at \$86,704,953 (80.57% of net assets) as of December 31, 2004 whose values have been determined by the Board of 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.

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, 2004, 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.

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MassMutual Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004

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. The Trust does not accrue income when payment is delinquent and when management believes payment is questionable.

Discounts and premiums on securities purchased are amortized, over the lives of the respective securities.

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.

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C. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. FEDERAL INCOME TAXES

The Trust has elected to be taxed as a "regulated investment company" under the Internal Revenue Code, and intends to maintain this qualification and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing 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, 2004, the Trust has a net tax basis capital loss carry-forward of \$1,352,300 available to offset future net realized capital gains. \$841,404 and \$510,896 of the loss carry-forward expires on December 31, 2010 and December 31, 2011, respectively, if not offset by net realized capital gains before the expiration dates. To the extent that such carry-forward is used by the Trust, no capital gain distributions or designation as undistributed will be made.

In 2004, the Trust re-classified a total of \$668,738 to undistributed net investment income. \$594,934 was re-classified from accumulated net realized loss on investments and \$73,804 was re-classified from additional paid in capital to more accurately display the Trust's financial position. 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, 2004 the MMPI Subsidiary Trust has accrued income tax expense on income and realized gains of \$158,788 and \$504,437, respectively.

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,

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if any, is declared in December.

The tax character of distributions paid during the years ended December 31, 2004 and 2003 were as follows:

| Distributions paid from: | 2004 | 2003 |
|--------------------------|--------------|-------------|
| Ordinary Income | \$10,613,225 | \$9,186,933 |

As of December 31, 2004, the components of distributable earnings on a tax basis included \$471,327 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.

Net investment income of the Trust as presented under accounting principles generally accepted in the United States differs from distributed earnings due to a distribution made from after tax earnings of the MMPI Subsidiary Trust to the Trust. The Trust treats the distribution from the MMPI Subsidiary Trust as taxable earnings.

3. INVESTMENT ADVISORY AND ADMINISTRATIVE SERVICES FEE

Under an Investment Advisory and Administrative Services 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 has further agreed that it will request each issuer of securities which MassMutual is prepared to purchase in a private placement, and which would be consistent with the investment objectives and policies of the Trust, to also offer such securities to the Trust. Babson Capital will use its best efforts to insure that issuers accede to such requests. MassMutual has agreed that, subject to such orders of the Securities and Exchange Commission as may apply, it will invest concurrently with the Trust in any such investment. 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

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MassMutual Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004

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 Investment Advisory and Administrative Services Contract, Babson Capital is paid a quarterly 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.

4. SENIOR SECURED INDEBTEDNESS:

A. NOTE PAYABLE

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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, 2004, the Trust incurred total interest expense on the Note of \$696,000.

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

B. REVOLVING CREDIT AGREEMENT

The Trust entered into a \$15,000,000 Revolving Credit Agreement with 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. The Trust incurred closing costs on the Revolver of \$7,500.

As of December 31, 2004, there was \$10,500,000 in outstanding loans against the Revolver and the average blended rate of interest attributable to the Revolver was 1.87%. For the year ended December 31, 2004, the Trust incurred total interest expense on the Revolver of \$196,594, plus \$10,073 related to the undrawn portion.

5. PURCHASES AND SALES OF INVESTMENTS

| FOR THE YEAR ENDED 12/31/2004 | COST OF INVESTMENTS ACQUIRED |
|----------------------------------|--------------------------------------|
| Corporate restricted securities | \$ 48,196,766 |
| Corporate public securities | 12,690,819 |
| Short-term securities | 370,517,074 |
| <hr/> | |
| | PROCEEDS FROM SALES OR MATURITIES |
| Corporate restricted securities | \$ 47,358,132 |
| Corporate public securities | 10,420,325 |
| Short-term securities | 372,760,514 |

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The net unrealized depreciation of investments for federal tax purposes as of December 31, 2004 is \$1,067,412 and consists of \$12,464,414 appreciation and \$13,531,826 depreciation.

6. QUARTERLY RESULTS OF INVESTMENT OPERATIONS (unaudited)

| | AMOUNT | PER SHARE |
|--|-------------|-----------|
| <hr style="border-top: 1px dashed black;"/> | | |
| MARCH 31, 2004 | | |
| <hr style="border-top: 1px dashed black;"/> | | |
| Investment income | \$2,659,387 | |
| Net investment income | 2,102,013 | \$ 0.22 |
| Net realized and unrealized gain on investments | 1,898,079 | 0.20 |
| <hr style="border-top: 1px dashed black;"/> | | |
| JUNE 30, 2004 | | |
| <hr style="border-top: 1px dashed black;"/> | | |
| Investment income | 3,448,275 | |
| Net investment income | 2,871,018 | 0.29 |
| Net realized and unrealized gain on investments | 2,538,265 | 0.26 |
| <hr style="border-top: 1px dashed black;"/> | | |
| SEPTEMBER 30, 2004 | | |
| <hr style="border-top: 1px dashed black;"/> | | |
| Investment income | 3,186,182 | |
| Net investment income | 2,612,780 | 0.27 |
| Net realized and unrealized gain on investments | 2,515,404 | 0.26 |
| <hr style="border-top: 1px dashed black;"/> | | |
| DECEMBER 31, 2004 | | |
| <hr style="border-top: 1px dashed black;"/> | | |
| Investment income | 2,964,734 | |
| Net investment income | 2,127,626 | 0.22 |
| Net realized and unrealized gain on investments | 6,234,383 | 0.64 |

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MassMutual Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004

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

During 2004, the Trust paid its Trustees aggregate remuneration of \$101,107. The Trust does not pay any compensation to any of its Trustees who are "interested persons" (as defined by the Investment Company Act of 1940, as amended [the "40 Act"]) of the Trust. Accordingly, the Trust classifies Messers. Reese and Joyal 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.

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MassMutual and Babson Capital are "affiliated persons" (as defined by the 40 Act) of Mr. Reese, one of the Trust's Trustees. The Trust did not make any payments to Babson Capital during 2004, other than amounts payable to Babson Capital pursuant to the Investment Advisory and Administrative Services Contract. During 2004, the Trust paid the following amounts to MassMutual, exclusive of interest expense on the Note explained in Footnote 4A:

| | |
|--|----------|
| Preparation of the Trust's Quarterly and Annual Reports to Shareholders | \$12,427 |
| Preparation of the Certain of the Trust's Shareholder communications | 1,167 |
| Preparation of the Trust's Annual Proxy Statements | 1,194 |
| | |
| | \$14,788 |

8. CONTINGENCIES

The Trust, together with other investors including MassMutual, is 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 is continuing. The parties to the lawsuit, including the Trust, have submitted the matters which are the subject of the lawsuit to the non-binding mediation proceedings. The mediation proceedings were unsuccessful. The trial for this lawsuit is scheduled to begin in April 2005. The Trust is unable to estimate any potential recovery from this lawsuit as of December 31, 2004.

9. CERTIFICATIONS

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 fund's disclosure controls and procedures and internal control over financial reporting, as applicable.

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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 | PORTFOLIOS OVERSEEN IN FUND COMPLEX |
|---------------------|-------------------------------|--|--|--|
|---------------------|-------------------------------|--|--|--|

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| | | | | | |
|---|--------------------------|----------------------------------|---|----|---|
| STUART H. REESE* (49) | Trustee | 3 years/ 1 year, 10 months | Executive Vice President and Chief Investment Officer (since 1999) of MassMutual; Chairman and CEO (since 2000), Director (2000-2004), Member of the Board of Managers (since 2004), and President (2000-2001 and 2003-2005) of Babson; Chief Executive Director (1997-1999), Senior Vice President (1993-1997) of MassMutual. | 41 | Trustee, C President (since 199 Partners L President (since 199 formerly M (an open-e by MassMut Chairman a MML Series investment MassMutual (since 199 (investmen Member (si Yield Part Chairman (1996), Ant loan syndi Charter Oa President CBO LLC (i (since 199 (since 200 Advisers I President 2001), MMC Subsidiary 1999), and Corporate company ad |
| Massachusetts Mutual Life Insurance Company 1295 State Street Springfield, MA01111 | Chairman (since 1999) | 1 year/ 7 months | | | |

* Mr. Reese is an "interested person" of the Trust (as defined in the Investment Company Act of 1940, amended) because of his position as an Officer of the Trust, an Executive Officer of MassMutual and Chairman, Member of the Board of Managers and CEO of Babson.

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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 | PORTFOLIOS OVERSEEN IN FUND COMPLEX |
|---------------------|-------------------------|-----------------------------------|---|-------------------------------------|
|---------------------|-------------------------|-----------------------------------|---|-------------------------------------|

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| | | | | | |
|--|-------------------------|-----------------------|---|----|---|
| ROBERT E. JOYAL** (60) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA01115 | Trustee (since 2003) | 3 years/ 10 months | President (2001-2003), Managing Director (2000-2001) and Executive Director (1999-2000) of Babson; Executive Director (1997-1999) of MassMutual. | 41 | President 2003) of t Antares Ca syndication Aviation G MML Series investment MassMutual MassMutual MassMutual open-end i by MassMut Senior Vic President Trust and (1999-2003 Corporate company ad |
|--|-------------------------|-----------------------|---|----|---|

** Mr. Joyal retired as President of Babson in June 2003. He continues to serve as a director or trustee of several entities affiliated with MassMutual, Babson's indirect parent company. Accordingly, the Trust classifies Mr. Joyal as an "interested person" of the Trust and Babson (as defined in the Investment Company Act of 1940, amended).

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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 | PORTFOLIOS OVERSEEN IN FUND COMPLEX | |
|--|-------------------------------|--|---|--|---|
| DONALD E. BENSON (74) MassMutual Participation Investors | Trustee (since 1988) | 3 years/ 10 months | Executive Vice President and Director (since 1992), Marquette Financial Companies (financial | 2 | Director ((commuter Director (Bancorp (b |

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1500 Main Street
Suite 600
Springfield, MA01115

services); Partner (since 1996), Benson Family Limited Partnership No. 1 and Benson Family Limited Partnership No. 2 (investment partnerships); Partner (1987-2004), Benson, Pinckney, Oates Partnership (building partnership).

Mercantile 1986), Mas (closed-en by Babson)

DONALD GLICKMAN (71)
MassMutual
Participation Investors
1500 Main Street
Suite 600
Springfield, MA01115

Trustee (since 1992) 3 years/ 10 months

Chairman (since 1992), Donald Glickman and Company, Inc. (investment banking); Partner (since 1992), J.F. Lehman & Co. (private investments).

2 Director (Inc. (manu (since 198 (automobil (since 199 (1998-2003 of electro (since 200 (manufactu Director (Services); (manufactu (since 199 (closed-en by Babson)

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 | PORTFOLIOS OVERSEEN IN FUND COMPLEX | |
|-----------------------------------|-------------------------|-----------------------------------|---|-------------------------------------|---------------------------------|
| MARTIN T. HART (69) MassMutual | Trustee (since 1991) | 3 years/ 1 year, 10 months | Private Investor; President and Director (since 1983), H Corporation. | 2 | Director (Inc.; Dire (internet |

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Participation Investors
 1500 Main Street
 Suite 600
 Springfield, MA01115

(since 200
 device com
 MassMutual
 (closed-en
 by Babson)

| | | | | | |
|--|-------------------------|-----------------------------------|--|----|---|
| STEVEN A. KANDARIAN (52) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA01115 | Trustee (since 2002) | 3 years/ 2 years, 10 months | Consultant, financial services (since 2004); Executive Director (2001- 2004); Pension Benefit Guaranty Corp., (a Federal pension agency); Managing Director (1993-2001), Orion Partners, L.P. (a private equity fund). | 22 | Trustee (s Funds, for open-end i MassMutual Corporate company ad |
|--|-------------------------|-----------------------------------|--|----|---|

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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 | PORTFOLIOS OVERSEEN IN FUND COMPLEX | |
|--|-------------------------------|--|---|--|--|
| <hr/> JACK A. LAUGHERY (70) MassMutual Participation Investors | Trustee (since 1996) | 3 years/ 2 years, 10 months | President and Partner (since 1996), Laughery Investments. | 2 | Director (Internatio Director (Venture LL |

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1500 Main Street
Suite 600
Springfield, MA01115

(1998-2004
Partner (s
Director (s
(food serv
England; T
Corporate
company ad

| | | | | | |
|---|---------------------------------|--|--|-----------|---|
| <p>CORINE T. NORGAARD (67) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA01115</p> | <p>Trustee (since 1998)</p> | <p>3 years/ 2 years, 10 months</p> | <p>President (since 2004), Thompson Enterprises Real Estate Investment; Dean (1996-2004), Barney School of Business, University of Hartford.</p> | <p>22</p> | <p>Trustee (s Funds, for open-end i MassMutual Advest Ban Trust Comp Bank); Tru Funds (inv (since 199 Trustee (s Investors company ad</p> |
|---|---------------------------------|--|--|-----------|---|

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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 |
|--|---------------------------|------------------------------------|---|
| <p>ROGER W. CRANDALL (40) MassMutual Participation Investors 1500 Main Street, Suite 600 Springfield, MA 01115</p> | <p>President</p> | <p>1 year/ 7 months</p> | <p>President (since 2003) and Vice President Chairman (since 2005), Director (2003-20 (since 2004), and Managing Director (sin Director (1993-2000) of MassMutual; Trus MMCI Subsidiary Trust and MMPI Subsidiar Vice President (2002-2003), MassMutual C</p> |
| <p>CLIFFORD M. NOREEN (47) MassMutual Participation Investors</p> | <p>Vice President</p> | <p>1 year/ 7 months</p> | <p>Vice President (since 1993) of the Trust of Babson; Managing Director (1996-1999) (since 1993), MassMutual Corporate Inves</p> |

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1500 Main Street, Suite 600
Springfield, MA 01115

| | | | |
|---|---------------------------------------|---------------------|---|
| STEPHEN L. KUHN (58) MassMutual Participation Investors 1500 Main Street, Suite 600 Springfield, MA 01115 | Vice President and Secretary | 1 year/ 7 months | Vice President and Secretary (since 1988) Clerk (since 2000) of Babson; Senior Vice General Counsel (since 1998), and Assistant MassMutual; Secretary (since 1998), MMCI Subsidiary Trust; Vice President (since MassMutual Corporate Investors. |
|---|---------------------------------------|---------------------|---|

| | | | |
|--|--|---------------------|---|
| CHARLES C. MCCOBB, JR. (61) MassMutual Participation Investors 1500 Main Street, Suite 600 Springfield, MA 01115 | Vice President and Chief Financial Officer | 1 year/ 7 months | Chief Financial Officer (since 1998) and Trust; Managing Director (since 2000) of 1999) of MassMutual; Trustee, Vice Presi Officer (since 1998), MMCI Subsidiary Tr Chief Financial Officer (since 1998) and MassMutual Corporate Investors. |
|--|--|---------------------|---|

| | | | |
|---|-------------|---------------------|---|
| JOHN T. DAVITT, JR. (37) MassMutual Participation Investors 1500 Main Street, Suite 600 Springfield, MA 01115 | Comptroller | 1 year/ 7 months | Comptroller (since 2001) of the Trust, D Associate Director (1997-1999) of MassMu MassMutual Corporate Investors. |
|---|-------------|---------------------|---|

| | | | |
|--|-----------|---------------------|---|
| JAMES M. ROY (42) MassMutual Participation Investors 1500 Main Street, Suite 600 Springfield, MA 01115 | Treasurer | 1 year/ 7 months | Treasurer (since 2003) and Associate Tre Director (since 2000) of Babson; Associa MassMutual; Controller (since 2003), MMC Subsidiary Trust; Treasurer (since 2003) MassMutual Corporate Investors. |
|--|-----------|---------------------|---|

| | | | |
|---|--------------------------------|---------------------|---|
| MARY ELLEN WESNESKI (54) MassMutual Participation Investors 1500 Main Street, Suite 600 Springfield, MA 01115 | Chief Compliance Officer | 1 year/ 7 months | Chief Compliance Officer (since 2004) of (since 1999) of Babson, Chief Compliance MassMutual Corporate Investors. |
|---|--------------------------------|---------------------|---|

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MassMutual Participation Investors

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Trustees of MassMutual Participation Investors

We have audited the accompanying statement of assets and liabilities of MassMutual Participation Investors (the "Trust"), including the schedule of investments, as of December 31, 2004, and the related statements of operations and cash flows, the statement of changes in net assets, and the financial

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highlights for the year 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 audit. The statement of changes in net assets for the year ended December 31, 2003 and financial highlights for each of the years in the fouryear period ended December 31, 2003 were audited by the Trust's previous auditors whose report, dated February 6, 2004, expressed an unqualified opinion on that financial statement and those financial highlights.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2004, by correspondence with the custodian and brokers, or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2004, and the results of its operations, its cash flows, the changes in its net assets, and the financial highlights for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

February 7, 2005

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[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
President and Partner,
Laughery Investments

Steven A. Kandarian
Consultant, financial services

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

Corine T. Norgaard*
President, Thompson Enterprises

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Real Estate Investment

Stuart H. Reese
Executive Vice President and
Chief Investment Officer,
Massachusetts Mutual
Life Insurance Company

Martin T. Hart*
Private Investor

*Member of the Audit Committee

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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

Participating shareholders may also make additional contributions to the Plan from their own funds. Such contributions may be made by personal check or other means in an amount not less than \$100 nor more than \$5,000 per quarter.

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.

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

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

OFFICERS

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| | | | |
|---|---|--|--|
| Stuart H. Reese Chairman | Stephen L. Kuhn Vice President & Secretary | Michael L. Klofas Vice President | James M. Roy Treasurer |
| Roger W. Crandall President | Michael P. Hermsen Vice President | Clifford M. Noreen Vice President | John T. Davitt Comptroller |
| Charles C. McCobb, Jr. Vice President & Chief Financial Officer | Mary Wilson Kibbe Vice President | Richard E. Spencer, II Vice President | Mary Ellen Wes Chief Compliance Officer |

[LOGO]

MassMutual Participation Investors

DB1036 205

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. During the period covered by this Form N-CSR, there were no amendments to, or waivers from, the Code.

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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 REGISTRANT

| | KPMG LLP Year Ended December 31, 2004 | DELOITTE & TOUCHE LLP* Year Ended December 31, 2003 |
|--------------------|--|--|
| | ----- | ----- |
| Audit Fees | \$ 32,500 | \$ 49,500 |
| Audit-Related Fees | 5,000 | 5,500 |
| Tax Fees | 8,500 | 7,400 |
| All Other Fees | 0 | 0 |
| | ----- | ----- |
| Total Fees | \$ 46,000 | \$ 62,400 |
| | ===== | ===== |

NON-AUDIT FEES BILLED TO BABSON AND MASSMUTUAL

| | KPMG LLP Year Ended December 31, 2004 | DELOITTE & TOUCHE LLP* Year Ended December 31, 2003 |
|--------------------|--|--|
| | ----- | ----- |
| Audit-Related Fees | \$ 406,900 | \$ 340,000 |
| Tax Fees | 35,138 | 35,100 |
| All Other Fees | 400,000 | 5,000 |
| | ----- | ----- |
| Total Fees | \$ 842,038 | \$ 380,100 |
| | ===== | ===== |

*Deloitte & Touche LLP ("D&T") was the Registrant's independent auditors for the 2003 fiscal year audit. KPMG LLP ("KPMG") was the Registrant's independent auditors for the 2004 fiscal year audit.

The category "Audit Related Fees" reflects fees billed by KPMG or D&T for services related to the audit and other assurance services performed in connection with the audit engagements of the Registrant, Babson Capital Management LLC ("Babson") and Massachusetts Mutual Life Insurance Company ("MassMutual"). 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 or D&T for various non-audit and non-tax services rendered to Babson and MassMutual, such as SAS 70 review, agreed upon procedures reports, and tax consulting.

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 2004, 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

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services rendered by KPMG for the Registrant and for the non-audit services provided to Babson, and Babson'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.

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; 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"). A summary of Babson's proxy voting policies and procedures is set forth below.

Summary of Babson's Proxy Voting Policy

Babson 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's policy to generally vote proxies in accordance with the recommendations of Institutional Shareholder Services ("ISS"), a recognized authority on proxy voting and corporate governance, or, in cases where ISS has not made any recommendations with respect to a proxy, in accordance with ISS's proxy voting guidelines.

Babson recognizes, however, that there may be times when Babson 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 with any recommendations with respect to a proxy, vote against ISS's proxy voting guidelines. Babson 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's Proxy Voting Procedures

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Babson 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 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 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 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 or its affiliates (other than those assigned such responsibilities under the Policy) may influence how Babson 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's General Counsel.

Obtaining a Copy of the Policy

The full text of Babson'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.

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

Not Applicable for this filing.

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

Not Applicable for this filing.

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

Not Applicable for this filing.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) The principal executive officer and principal financial officer of the Registrant evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as of a date within 90 days of the filing date of this report and based on that evaluation have concluded that such disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported

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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/ Roger W. Crandall
Roger W. Crandall, President
Date: March 4, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Roger W. Crandall
Roger W. Crandall, President

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Date: -----
March 4, 2005

By: /s/ Charles C. McCobb, Jr.

Charles C. McCobb, Jr., Vice
President, and Chief Financial Officer

Date: -----
March 4, 2005
