

MASSMUTUAL PARTICIPATION INVESTORS

Form N-30D

November 24, 2004

MASSMUTUAL  
PARTICIPATION  
INVESTORS

[LOGO]

REPORT FOR THE NINE  
MONTHS ENDED 9/30/04

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

[LOGO]

MPV  
LISTED  
NYSE

ADVISER

Babson Capital Management LLC  
1500 Main Street  
Springfield, Massachusetts 01115

AUDITOR

KPMG LLP  
Boston, Massachusetts 02110

COUNSEL TO THE TRUST

Ropes & Gray LLP  
Boston, Massachusetts 02110

CUSTODIAN

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

TRANSFER AGENT & REGISTRAR

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

Internet website: [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv)

INVESTMENT OBJECTIVE AND POLICY

MassMutual Participation Investors (the "Trust") is a closed-end investment

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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.

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.

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>.

TO OUR SHAREHOLDERS

October 29, 2004

We are pleased to present the September 30, 2004 Quarterly Report of MassMutual Participation Investors (the "Trust"). The Trust's Board of Trustees declared a quarterly dividend of 24 cents per share, payable on November 15, 2004 to shareholders of record on November 1, 2004. A dividend of 24 cents per share was paid in the previous quarter.

U.S. equity markets, as measured by several broad market indices, declined. During the quarter ended September 30, 2004, large stocks, as approximated by the Dow Jones Industrial Average, decreased 2.9%. Smaller stocks, as approximated by the Russell 2000 Index, decreased 2.86%. Alternatively, U.S. fixed income markets, as measured by select indices, increased during the quarter. The Lehman Brothers Government/Credit Index and the Lehman Brothers

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U.S. Corporate High Yield Index increased 3.56% and 4.85%, respectively, for the quarter.

For the quarter ended September 30, 2004, the Trust earned 27 cents per share, of which 2 cents represents income due to a nonrecurring item. The Trust earned 30 cents per share in the previous quarter, of which 7 cents represented income due to a separate nonrecurring item. The Trust's net assets as of September 30, 2004 totaled \$104,843,842 or \$10.86 per share compared to \$102,265,890 or \$10.61 per share on June 30, 2004. This translated into a portfolio return of 5.2% for the quarter based on the change in the Trust's net assets assuming the reinvestment of all dividends. Long term, the Trust's portfolio had average annualized returns of 20.68%, 11.69% and 13.53% for the 1-, 5- and 10- year periods ended June 30, 2004, respectively, based on change in net assets with the reinvestment of all dividends.

During the quarter, the Trust made private placement investments in ten new issuers totaling approximately \$10.2 million. The ten issuers added to the portfolio were Eagle Pack Pet Foods, Inc., Maverick Acquisition Company, Maxon Corporation, Qualserv Corporation, River Ranch Fresh Foods LLC, Savage Sports Holdings, Inc., Sport Court International, Inc., Vitality Foodservice, Inc., Vitex Packaging Group, Inc. and Walls Industries, Inc. The weighted average coupon of these investments was 11.56%. (A brief description of these investments can be found in the Schedule of Investments.)

Thank you for your continued interest in and support of MassMutual Participation Investors.

Sincerely,

/s/ Roger W. Crandall

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Roger W. Crandall  
President  
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### CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

### MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

#### ASSETS:

##### Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$104,014,710)	\$ 94,814,510
Corporate public securities at market value (Cost - \$26,173,371)	23,274,145
Short-term securities at cost plus earned discount which approximates market value	5,014,354
	-----
	123,103,009
Cash	982,207
Interest and dividends receivable	2,722,158
Receivable for investments sold	1,804,839
Other assets	6,309

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TOTAL ASSETS	\$128,618,522
=====	
LIABILITIES:	
Payable for investments purchased	\$ 650,000
Management fee payable	223,881
Note payable	12,000,000
Revolving Credit Agreement	10,500,000
Interest payable	282,840
Accrued expenses	117,959
-----	
TOTAL LIABILITIES	23,774,680
-----	
NET ASSETS:	
Common shares, par value \$.01 per share; an unlimited number authorized	96,560
Additional paid-in capital	89,484,417
Retained net realized gain on investments, prior years	19,858,001
Undistributed net investment income	3,464,024
Undistributed net realized gain on investments	4,040,266
Net unrealized depreciation of investments	(12,099,426)
-----	
TOTAL NET ASSETS	104,843,842
-----	
TOTAL LIABILITIES AND NET ASSETS	\$128,618,522
=====	
COMMON SHARES ISSUED AND OUTSTANDING	9,655,997
=====	
NET ASSET VALUE PER SHARE	\$ 10.86
=====	

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED STATEMENT OF OPERATIONS                      MASSMUTUAL PARTICIPATION INVESTORS

For the nine months ended September 30, 2004  
(Unaudited)

INVESTMENT INCOME:	
Interest	\$ 8,365,472
Dividends	928,372
-----	
TOTAL INVESTMENT INCOME	9,293,844
-----	
EXPENSES:	
Management fees	677,044
Trustees' fees and expenses	74,400
Transfer agent/registrar's expenses	14,800
Interest	662,376
Reports to shareholders	50,000
Audit and legal	178,800
Other	50,613
-----	

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TOTAL EXPENSES	1,708,033
	-----
NET INVESTMENT INCOME (\$0.79 PER SHARE)	7,585,811
	-----
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS:	
Realized gain on investments before taxes	5,777,532
Income taxes paid	(239,375)
	-----
Net realized gain on investments	5,538,157
Net change in unrealized depreciation of investments	1,413,591
	-----
NET GAIN ON INVESTMENTS	6,951,748
	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 14,537,559
	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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### CONSOLIDATED STATEMENT OF CASH FLOWS                      MASSMUTUAL PARTICIPATION INVESTORS

For the nine months ended September 30, 2004  
(Unaudited)

NET DECREASE IN CASH:	
Cash flows from operating activities:	
Interest and dividends received	\$ 7,813,672
Interest expense paid	(483,154)
Operating expenses paid	(1,078,700)
Income taxes paid	(1,136,289)
	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,115,529
	-----
Cash flows from investing activities:	
Purchases/Proceeds/Maturities from short-term portfolio securities, net	2,772,834
Purchases of portfolio securities	(49,778,873)
Proceeds from disposition of portfolio securities	45,902,074
	-----
NET CASH USED FOR INVESTING ACTIVITIES	(1,103,965)
	-----
NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES	4,011,564
	-----
Cash flows from financing activities:	
Cash dividends paid from net investment income	(7,543,058)
	-----
NET CASH USED FOR FINANCING ACTIVITIES	(7,543,058)
	-----
NET DECREASE IN CASH	(3,531,494)
Cash - beginning of year	4,513,701
	-----
Cash - end of period	\$ 982,207
	=====

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

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 14,537,559
	-----
Increase in investments	(9,625,220)
Increase in interest and dividends receivable	(896,708)
Decrease in receivable for investments sold	102,977
Increase in other assets	(6,309)
Increase in payable for investments purchased	650,000
Increase in management fee payable	11,164
Increase in interest payable	179,222
Decrease in accrued expenses	(44,207)
Decrease in accrued taxes payable	(896,914)
	-----
TOTAL ADJUSTMENTS TO NET ASSETS FROM OPERATIONS	(10,525,995)
	-----
NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES	\$ 4,011,564
	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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### CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

### MASSMUTUAL PARTICIPATION INVESTORS

For the nine months ended September 30, 2004 and the year ended December 31, 2003

	For the nine months ended 09/30/2004 (Unaudited)	
	-----	-----
INCREASE IN NET ASSETS:		
OPERATIONS:		
Net investment income	\$ 7,585,811	\$
Net realized gain on investments	5,538,157	
Net change in unrealized depreciation of investments	1,413,591	
	-----	-----
Net increase in net assets resulting from operations	14,537,559	
Net increase in shares of beneficial interest transactions	723,356	
Dividends to shareholders from:		
Net investment income (2004 - \$0.50 per share; 2003 - \$0.96 per share)	(4,813,664)	
	-----	-----
TOTAL INCREASE IN NET ASSETS	10,447,251	
NET ASSETS, BEGINNING OF YEAR	94,396,591	
	-----	-----
NET ASSETS, END OF PERIOD/YEAR (INCLUDING UNDISTRIBUTED NET INVESTMENT INCOME IN 2004 - \$3,464,024; 2003 - \$691,877)	\$104,843,842	\$

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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## CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS      MASSMUTUAL PARTICIPATION INVESTORS

Selected data for each share of beneficial interest outstanding:

	For the nine months ended 9/30/2004 (Unaudited) -----	For the years ended D		
		2003 -----	2002 -----	2001 -----
Net asset value:				
Beginning of year	\$ 9.84 -----	\$ 8.78 -----	\$ 9.12 -----	\$ 9.7 -----
Net investment income	0.79	0.80	0.87	0.9
Net realized and unrealized gain (loss) on investments	0.72 -----	1.21 -----	(0.35) -----	(0.6 -----
Total from investment operations	1.51 -----	2.01 -----	0.52 -----	0.3 -----
Dividends from net investment income to common shareholders	(0.50)	(0.96)	(0.86)	(0.9
Dividends from net realized gain on investments to common shareholders	--	--	--	--
Change from issuance of shares	0.01 -----	0.01 -----	-- -----	0.0 -----
Total distributions	(0.49) -----	(0.95) -----	(0.86) -----	(0.9 -----
Net asset value:				
End of period/year	\$ 10.86 -----	\$ 9.84 -----	\$ 8.78 -----	\$ 9.1 -----
Per share market value:				
End of period/year	\$ 11.90 =====	\$ 11.65 =====	\$ 9.40 =====	\$ 9.1 =====

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Total investment return				
Market value	6.83%*	35.50%	12.58%	(8.0
Net asset value **	15.73%*	23.72%	5.70%	3.4
Net assets (in millions):				
End of period/year	\$ 104.84	\$ 94.40	\$ 83.59	\$ 86.0
Ratio of operating expenses to average net assets				
	1.05%*	1.65%	1.27%	1.2
Ratio of interest expense to average net assets				
	0.67%*	0.97%	1.08%	1.4
Ratio of total expenses to average net assets				
	1.72%*	2.62%	2.35%	2.6
Ratio of net investment income to average net assets				
	7.66%*	8.55%	9.42%	9.7
Portfolio turnover				
	41.45%*	55.08%	35.32%	21.5

\* Percentages represent results for the period and are not annualized.

\*\* Net asset value return represents portfolio returns based on change in the net asset value assuming dividends and distributions which differs from the total investment return based on market value of the net asset value and the market value of the shares outstanding; past performance in no guarantee.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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### CONSOLIDATED SCHEDULE OF INVESTMENTS                      MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
	-----	-----
CORPORATE RESTRICTED SECURITIES - 90.44% (A)		
PRIVATE PLACEMENT INVESTMENTS - 80.40%		
A T I ACQUISITION COMPANY		
A for-profit post-secondary school serving students in Texas, Florida and Arizona.		
12% Senior Subordinated Note due 2012	\$ 1,125,000	04/08/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	1,230 shs.	04/08/04
A W C HOLDING COMPANY		
A manufacturer and distributor of aluminum and vinyl windows and doors in the Southwest and Southeast regions of the U.S.		
12% Senior Subordinated Note due 2012	\$ 1,125,000	05/18/04
Limited Partnership Interest (B)	132 uts.	05/18/04



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ADORN, INC.

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

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

AMERICA'S BODY COMPANY, INC./LCP HOLDING CO.

A designer and manufacturer of commercial work vehicles.

12% Preferred Stock Series C (B)	197 shs.	12/16/03
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	40 shs.	*

AMERICAN HOSPICE MANAGEMENT HOLDING LLC

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

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

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	04/09/02
Senior Secured Tranche A Floating Rate Note due 2008	\$ 514,244	04/09/02
12% Senior Secured Note due 2010	\$ 412,112	04/09/02
Limited Partnership Interest of Riverside Capital Appreciation Fund IV, L.P. (B)	0.64% int.	04/09/02
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	794 shs.	04/09/02

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

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

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

BETA BRANDS LTD

A manufacturer of hard candy and chocolate-coated products sold primarily to the Canadian market.

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5% Promissory Note due 2009 (B)	\$ 96,698	03/31/04
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	2,421 shs.	03/31/04
BETTER MINERALS & AGGREGATES		
A producer of high grade industrial and specialty silica sands.		
14% Redeemable Preferred Stock (B)	499 shs.	09/30/99
Convertible Preferred Stock Series A and B, convertible into common stock at \$9.26 per share (B)	62,997 shs.	12/19/96
Common Stock (B)	10,013 shs.	09/30/99
Warrants, exercisable until 2005 and 2010, to purchase common stock at \$.01 per share (B)	5,700 shs.	*
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	09/13/02
11% Senior Subordinated Note due 2010	\$ 478,916	09/13/02
Common Stock (B)	180,723 shs.	09/13/02
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	78,386 shs.	09/13/02
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.	09/29/95
CAPESUCCESS LLC		
A provider of diversified staffing services.		
Preferred Membership Interests (B)	806 uts.	04/29/00
Common Membership Interests (B)	10,421 uts.	04/29/00
CAPITAL SPECIALTY PLASTICS, INC.		
A producer of desiccant strips used for packaging pharmaceuticals products.		
Common Stock (B)	55 shs.	**
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 (B)	10,500 shs.	02/24/04
*12/19/96 and 09/30/99.		
**12/30/97 and 05/29/99.		

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004

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(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount -----	Acquisition Date -----
COEUR, INC.		
A producer of proprietary, disposable power injection syringes.		
8.75% Senior Secured Term Note due 2010	\$ 326,087	04/30/03
11.5% Senior Subordinated Note due 2011	\$ 242,754	04/30/03
Common Stock (B)	72,463 shs.	04/30/03
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	50,099 shs.	04/30/03
COINING CORPORATION OF AMERICA LLC		
A manufacturer of close tolerance parts and metal stampings.		
Senior Secured Floating Rate Revolving Credit Facility due 2006	\$ 61,728	01/07/02
Senior Secured Floating Rate Tranche A Note due 2007	\$ 583,333	06/26/01
13% Senior Secured Tranche B Note due 2006	\$ 370,370	06/26/01
Limited Partnership Interest (B)	3.65% int.	06/26/01
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	61,163 shs.	06/26/01
COLIBRI HOLDINGS CORPORATION		
A manufacturer and distributor of wild bird feeders and accessories.		
12.5% Senior Subordinated Note due 2008	\$ 843,750	09/22/00
28% Preferred Stock (B)	38 shs.	11/02/01
20% Preferred Stock (B)	35 shs.	03/09/04
Common Stock (B)	756 shs.	09/22/00
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	446 shs.	09/22/00
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.	*
DELSTAR HOLDING CORPORATION		
A manufacturer of plastic netting for a wide variety of industries.		
Convertible Preferred Stock, convertible into common stock at \$12.16 per share (B)	1,758 shs.	10/05/01
Preferred Stock (B)	206 shs.	09/16/04

\*03/05/99 and 03/24/99.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
DEXTER MAGNETICS TECHNOLOGIES, INC.		
A designer, fabricator, assembler and distributor of industrial magnets and subassemblies in North America and Europe.		
12% Senior Subordinated Note due 2006	\$ 244,565	07/19/01
Common Stock (B)	310 shs.	07/19/01
Warrant, exercisable until 2006, to purchase common stock at \$.01 per share (B)	157 shs.	07/19/01
DIRECTED ELECTRONICS, INC.		
A designer and distributor of brand name automotive security systems, audio products and installation accessories.		
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
DIVERSCO, INC./DHI HOLDINGS, INC.		
A contract provider of janitorial and equipment maintenance services and temporary production labor to industrial customers.		
Membership Interests of MM/Lincap		
Diversco Investments Ltd. LLC (B)	13.57% int.	08/27/98
Preferred Stock (B)	1,639 shs.	12/14/01
Warrants, exercisable until 2011, to purchase common stock of DHI Holdings, Inc. at \$.01 per share (B)	6,676 shs.	*
DWYER GROUP, INC.		
A franchiser of a variety of home repair services.		
14% Senior Subordinated Note due 2011	\$ 984,375	10/30/03
Common Stock (B)	3,656 shs.	**
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	1,077 shs.	10/30/03
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	\$ 1,125,000	06/28/04
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	11 shs.	06/28/04

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\*10/24/96 and 08/28/98.

\*\*10/30/03 and 01/02/04.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004

(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
	-----	-----
<b>EAGLE PACK PET FOODS, INC.</b>		
A manufacturer of premium pet food sold through independent pet stores.		
14% Senior Subordinated Note due 2011	\$ 562,500	09/24/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	2,163 shs.	09/24/04
<b>EAGLE WINDOW &amp; DOOR HOLDING CO.</b>		
A manufacturer of wood and aluminum-clad wood windows and doors.		
12% Senior Subordinated Note due 2010	\$ 1,000,000	05/06/02
Common Stock (B)	125 shs.	05/06/02
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	232 shs.	05/06/02
<b>EAST RIVER VENTURES I, L.P.</b>		
An acquirer of controlling or substantial interests in other entities.		
Limited Partnership Interest (B)	0.04% int.	01/01/01
<b>ENZYMATIC THERAPY, INC.</b>		
A manufacturer and distributor of branded natural medicines and nutritional supplements.		
13% Senior Subordinated Note due 2005 (B)	\$ 843,750	09/17/02
Limited Partnership Interest (B)	0.70% int.	03/30/00
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	253 shs.	03/30/00
<b>EURO-PRO CORPORATION</b>		
A designer, marketer and distributor of floor care, steam cleaning and small kitchen products and appliances.		
13.25% Senior Subordinated Note due 2011	\$ 1,125,000	09/09/03
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	23,229 shs.	09/09/03

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EVANS CONSOLES, INC.

A designer and manufacturer of consoles and control center systems.

10% Senior Secured Note due 2006	\$ 301,500	05/06/04
Limited Partnership Interest of CM Equity Partners (B)	1.21% int.	02/11/98
Common Stock (B)	45,000 shs.	05/06/04

EXAMINATION MANAGEMENT SERVICES, INC.

A national full-service evidence provider to the insurance industry and a provider of occupational health testing.

12% Senior Subordinated Note due 2007 (B)	\$ 1,116,867	03/16/99
Limited Partnership Interest (B)	6.96% int.	03/02/99
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	40,888 shs.	03/16/99

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
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G C-SUN HOLDINGS, L.P.

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

12% Senior Subordinated Note due 2008 (B)	\$ 920,000	03/02/00
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	469 shs.	03/02/00

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.	*

HIGHGATE CAPITAL LLC

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

Series A Preferred Units (B)	0.30% int.	7/21/94
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HOME DeCOR HOLDING COMPANY

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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.	**

### HUSSEY SEATING CORPORATION

A manufacturer of spectator seating products.

Senior Secured Floating Rate Revolving Note due 2006	\$ 917,020	06/12/96
Senior Secured Floating Rate Note due 2006	\$ 216,563	***
12% Senior Subordinated Note due 2006	\$ 675,000	03/31/03
Common Stock (B)	2,860 shs.	03/12/04

### INTEGRATION TECHNOLOGY SYSTEMS, INC.

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

16.5% Senior Secured Note due 2006	\$ 914,072	03/01/04
Common Stock (B)	130 shs.	06/01/00

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

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

\*\*\*06/12/96 and 08/03/01.

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	-----	-----
<b>JASON, INC.</b>		
A diversified manufacturing company serving various industrial markets.		
13% Senior Subordinated Note due 2008	\$ 510,187	08/04/00
14% Cumulative Redeemable Preferred Stock Series A (B) Limited Partnership Interest of	153 shs.	08/04/00
Saw Mill Capital Fund II, L.P. (B)	1.30% int.	08/03/00
Warrants, exercisable until 2008 and 2009, to purchase common stock at \$.01 per share (B)	26,931 shs.	08/04/00
<b>KEEPSAKE QUILTING, INC.</b>		
A seller of quilting fabrics, books, patterns, kits and notions to consumers.		
Senior Secured Floating Rate Revolving Note due 2005	\$ 73,386	06/16/00
Senior Secured Floating Rate Tranche A Note due 2007	\$ 416,725	06/16/00

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12% Senior Secured Tranche B Note due 2008 Limited Partnership Interest of Riverside XVI Holding Company, L.P. (B)	\$ 314,509	06/16/00
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	3.02% int. 633 shs.	06/12/00 06/12/00
 KELE AND ASSOCIATES, INC. A distributor of building automation control products.		
12% Senior Subordinated Note due 2012 Preferred Stock Class A (B) Common Stock (B)	\$ 969,643 12 shs. 6 shs.	02/27/04 02/27/04 02/27/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	6 shs.	02/27/04
 KENAN-ADVANTAGE TRANSPORT COMPANY A transporter of light petroleum, petrochemicals, lubricants and residual fuels.		
12.5% Senior Subordinated Note due 2009 Preferred Stock (B)	\$ 962,170 163 shs.	04/30/01 04/30/01
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	142 shs.	04/30/01
 LANCASTER LABORATORIES, INC. A laboratory testing operation in the United States.		
Common Stock (B)	455,739 shs.	09/25/00
 LIH INVESTORS, L.P. A manufacturer and marketer of a broad line of external accessories for new and used sport utility vehicles, trucks and vans.		
12.5% Senior Subordinated Note due 2008 Common Stock (B)	\$ 2,036,000 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.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

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

MAVERICK ACQUISITION COMPANY  
A manufacturer of capsules that cover the cork and neck



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of wine bottles.

Senior Secured Floating Rate Revolving Note due 2009	\$ 7,712	09/03/04
Senior Secured Floating Rate Tranche A Note due 2010	\$ 447,762	09/03/04
12% Senior Secured Tranche B Note due 2011	\$ 179,104	09/03/04
Limited Partnership Interest (B)	33,582 uts.	09/03/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	243 shs.	09/03/04

### MAXON CORPORATION

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

12% Senior Subordinated Note due 2012	\$ 549,837	09/30/04
8.75% Senior Subordinated Note due 2012	\$ 732,065	09/30/04
Common Stock (B)	218,099 shs.	09/30/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	87,755 shs.	09/30/04

### MEDASSIST, INC.

A provider of patient eligibility and accounts receivable management services to hospitals and physician practices.

12% Senior Subordinated Note due 2011	\$ 1,125,000	05/01/03
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	44,054 shs.	05/01/03

### MOSS, INC.

A manufacturer and distributor of large display and exhibit structures.

Senior Secured Floating Rate Tranche A Note due 2007	\$ 544,015	09/21/00
12% Senior Secured Tranche B Note due 2008	\$ 192,200	09/21/00
Limited Partnership Interest of Riverside Capital Appreciation Fund I, L.P. (B)	4.27% int.	*
Warrant, exercisable until 2008, to purchase common stock at \$100 per share (B)	264 shs.	09/21/00

### MUSTANG VENTURES COMPANY

A natural gas gathering and processing operation located in Oklahoma and Texas.

Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	8,752 shs.	12/11/02
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### NEFF MOTIVATION, INC.

A manufacturer and distributor of customized awards and sportswear to schools.

12.5% Senior Subordinated Note due 2011	\$ 562,500	01/31/03
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	112 shs.	01/31/03

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

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### CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.)      MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
	-----	-----
<b>NONNI'S FOOD COMPANY</b>		
A producer and distributor of premium biscotti and bagel chips in North America.		
12.25% Senior Subordinated Note due 2012	\$ 986,538	03/29/04
10% Preferred Stock (B)	135 shs.	03/29/04
Common Stock (B)	3,418 shs.	03/29/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	4,565 shs.	03/29/04
<b>NPC, INC.</b>		
A manufacturer of flexible connectors and equipment used in the installation of sewers and storm drain pipelines.		
Senior Secured Floating Rate Revolving Note due 2006	\$ 236,675	06/25/99
Senior Secured Floating Rate Note due 2006	\$ 1,156,780	06/25/99
12% Senior Secured Tranche B Note due 2007	\$ 559,322	06/25/99
Limited Partnership Interest of Riverside XIII Holding Company L.P. (B)	1.93% int.	06/11/99
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	115 shs.	06/25/99
<b>NYLONCRAFT, INC.</b>		
A supplier of engineered plastic components for the automotive industry.		
9% Senior Secured Note due 2009	\$ 464,286	01/28/02
11.5% Senior Subordinated Note due 2012	\$ 857,143	01/28/02
Common Stock (B)	178,571 shs.	01/28/02
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	138,928 shs.	01/28/02
<b>OLYMPIC SALES, INC.</b>		
A boat retailer in Washington state, Oregon and California and British Columbia.		
12% Senior Subordinated Note due 2006	\$ 1,387,000	08/07/98
12% Senior Subordinated Note due 2008	\$ 244,154	02/09/00
Limited Partnership Interest of Riverside VIII, VIII-A and VIII-B Holding Company, L.P. (B)	795,964 shs.	*
Warrants, exercisable until 2007 and 2008, to purchase common stock at \$.01 per share (B)	15,166 shs.	**
<b>PARADIGM PACKAGING, INC.</b>		
A manufacturer of plastic bottles and closures for the nutritional, pharmaceutical, personal care and food		

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packaging markets.

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

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

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

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
-----	-----	-----
P H I HOLDING COMPANY		
A retailer of mid-priced gift items, home and garden decor, accessories and other similar consumer products.		
12.5% Senior Subordinated Note due 2010	\$ 1,125,000	10/25/02
Warrant, exercisable until 2010, to purchase common stock at \$.02 per share (B)	186 shs.	10/25/02
POLYMER TECHNOLOGIES, INC./POLI-TWINE WESTERN, INC.		
A manufacturer of polypropylene twine for the hay baling marketplace.		
8% Senior Subordinated Note due 2010 (B)	\$ 393,750	09/27/02
PRECISION DYNAMICS, INC.		
A manufacturer of custom-designed solenoid valves and controls.		
Senior Secured Floating Rate Revolving Credit Facility due 2004	\$ 366,750	07/22/96
Senior Secured Floating Rate Term Note due 2004	\$ 350,450	07/22/96
12% Senior Secured Term Note due 2004	\$ 163,000	07/22/96
8% Preferred Stock (B)	187 shs.	07/22/96
Common Stock (B)	299 shs.	07/22/96
Warrant, exercisable until 2004, to purchase common stock at \$.01 per share (B)	162 shs.	07/22/96
PROCESS CHEMICALS LLC		
A specialty chemical company that manufactures processed chemicals for the fertilizer, asphalt and concrete industries.		
Common Membership Interests	4,932 uts.	*
PROTEIN GENETICS, INC.		
A producer of bovine artificial insemination products,		

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related breeding and healthcare products and specialty genetics sold to the dairy and beef industries.

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

PW EAGLE, INC. - O.T.C.

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

18% Senior Subordinated Note due 2007	\$ 1,875,130	09/16/99
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	101,505 shs.	09/16/99

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

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

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### CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.)      MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	-----	-----
<b>QUALIS AUTOMOTIVE LLC</b>		
A distributor of aftermarket automotive brake and chassis products.		
12% Senior Subordinated Note due 2012	\$ 937,500	05/28/04
Common Stock (B)	187,500 shs.	05/28/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	199,969 shs.	05/28/04
<b>QUALSERV CORPORATION</b>		
A provider of foodservice equipment and supplies, to major restaurant chains and their franchisees.		
14% Senior Subordinated Note due 2012	\$ 987,805	07/09/04
Limited Partnership Interest (B)	137,195 uts.	07/09/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	280 shs.	07/09/04
<b>RIVER RANCH FRESH FOODS LLC</b>		
A supplier of fresh producer to the retail and foodservice channels.		
13% Senior Subordinated Note due 2011	\$ 975,000	09/29/04
Limited Partnership Interest (B)	150,000 uts.	09/29/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	12,481 shs.	09/29/04

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ROYAL BATHS MANUFACTURING COMPANY

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

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

SAFETY SPEED CUT MANUFACTURING COMPANY, INC.

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

Senior Secured Floating Rate Revolving Note due 2006	\$ 161,522	05/01/03
Senior Secured Floating Rate Tranche A Note due 2007	\$ 794,151	06/02/99
12% Senior Secured Tranche B Note due 2007	\$ 646,089	06/02/99
Class B Common Stock (B)	846 shs.	06/02/99

SAVAGE SPORTS HOLDINGS, INC.

A manufacturer of sporting firearms.

12% Senior Subordinated Note due 2012	\$ 814,655	09/10/04
Common Stock (B)	310 shs.	09/10/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	71 shs.	09/10/04

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
	-----	-----
SELIG ACQUISITION CORPORATION		
A manufacturer of container sealing materials for bottles used in consumer products.		
12% Senior Subordinated Note due 2009	\$ 1,125,000	06/13/02
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	1,064 shs.	06/13/02
SHELTER ACQUISITION, INC.		
A distributor of roofing supplies and products throughout the Midwest.		
12.5% Senior Subordinated Note due 2008	\$ 803,571	08/01/02
Common Stock (B)	401,786 shs.	*
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	139,470 shs.	08/01/02

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SNYDER INDUSTRIES, INC.

A manufacturer of proprietary rotationally molded polyethylene containers.

12.25% Senior Subordinated Note due 2007	\$ 2,250,000	12/06/99
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	369 shs.	12/06/99

SPECIALTY FOODS GROUP, INC.

A manufacturer and distributor of branded meat products.

Limited Partnership Interest of MHD Holdings LLC (B)	0.76% int.	08/29/00
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SPORT COURT INTERNATIONAL, INC.

A designer and manufacturer of synthetic indoor and outdoor sports flooring and other temporary flooring products.

Senior Secured Floating Rate Revolving Note due 2009	\$ 106,143	08/12/04
Senior Secured Floating Rate Note due 2009	\$ 301,240	08/12/04
12% Senior Secured Note due 2012	\$ 145,304	08/12/04
Limited Partnership Interest (B)	37,617 uts.	08/12/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	19 shs.	08/12/04

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	01/14/00
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	61,862 shs.	01/14/00

\*08/01/02 and 01/17/03.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

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

SYNVENTIVE EQUITY LLC

A manufacturer of hot runner systems used in the plastic injection molding process.

12% Senior Subordinated Note due 2007	\$ 975,000	08/21/03
Limited Partnership Interest (B)	0.32% int.	08/20/03
Warrant, exercisable until 2011, to purchase		

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common stock at \$.01 per share (B)	45,942 shs.	08/21/03
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### 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	02/05/98
Common Stock (B)	315 shs.	02/04/98
Warrant, exercisable until 2006, to purchase common stock at \$.01 per share (B)	222 shs.	02/05/98

### TIDEWATER HOLDINGS, INC

An operator of a barge transportation line on the Columbia/Snake River system.

17% Preferred Stock (B)	280 shs.	12/23/02
Convertible Preferred Stock, convertible into common stock at \$1,000 per share (B)	560 shs.	07/25/96
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	237 shs.	07/25/96

### TINNERMAN-PALNUT ENGINEERED COMPONENTS

A manufacturer of precision engineered metal and plastic fasteners and assembly components.

12.75% Senior Subordinated Note due 2008	\$ 595,588	12/06/01
Class B Unit (B)	52,941 uts.	12/06/01
Class C Unit (B)	92,184 uts.	12/06/01

### TOMAH HOLDINGS, INC.

A manufacturer of specialty chemicals.

16% Senior Subordinated Note due 2011	\$ 750,000	12/08/03
16% Preferred Stock Series A (B)	20 shs.	12/08/03
Common Stock (B)	2,789 shs.	12/08/03

### TRONAIR, INC.

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

10.5% Senior Secured Term Note due 2008	\$ 902,572	01/20/00
12% Senior Subordinated Note due 2010	\$ 758,100	01/20/00
Common Stock (B)	129,960 shs.	01/20/00
Warrant, exercisable until 2010, to purchase common stock at \$1 per share (B)	148,912 shs.	01/20/00

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September 30, 2004  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
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<b>TRUSTILE DOORS, INC.</b>		
A manufacturer and distributor of interior doors.		
12.5% Senior Subordinated Note due 2010	\$ 562,500	04/11/03
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	3,060 shs.	04/11/03
<b>TUBULAR TEXTILE MACHINERY</b>		
A designer, manufacturer, sale and servicer of finishing machinery for the knit and woven segments of the global textile industry.		
12% Senior Subordinated Note due 2014	\$ 705,457	05/28/04
8.75% Senior Secured Note due 2011	\$ 409,310	05/28/04
Common Stock (B)	385,233 shs.	05/28/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	116,521 shs.	05/28/04
<b>TVI, INC.</b>		
A retailer of used clothing in the United States, Canada and Australia.		
Common Stock (B)	187,500 shs.	05/02/00
<b>U S M HOLDINGS CORPORATION</b>		
A provider of facility maintenance services to retail and corporate clients with multiple locations.		
12% Senior Subordinated Note due 2011	\$ 947,368	08/06/03
Preferred Stock (B)	1,771 shs.	08/06/03
Common Stock (B)	546 shs.	08/06/03
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	502 shs.	08/06/03
<b>U-LINE CORPORATION</b>		
A manufacturer of high-end, built-in, undercounter icemaking, wine storage and refrigeration appliances.		
12.5% Senior Subordinated Note due 2012	\$ 996,500	04/30/04
10% Jr Subordinated Note due 2012	\$ 32,100	04/30/04
Common Stock (B)	96 shs.	04/30/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	122 shs.	04/30/04
<b>VICTORY VENTURES LLC</b>		
An acquirer of controlling or substantial interests in other entities.		
Series A Preferred Units (B)	0.03% int.	12/02/96



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 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
 (Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
	-----	-----
VITALITY FOODSERVICE, INC.		
A non-carbonated beverage dispensing company focused on the foodservice industry.		
13% Senior Subordinated Note due 2011	\$ 999,153	09/24/04
Common Stock (B)	12,585 shs.	09/24/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	12,593 shs.	09/24/04
VITEX PACKAGING GROUP, INC.		
A manufacturer of specialty packaging, primarily envelopes and tags used on tea bags and medical and food products.		
12.5% Senior Subordinated Note due 2012	\$ 900,000	07/19/04
Limited Partnership Interest Class A (B)	219,375 uts.	07/19/04
Limited Partnership Interest Class B (B)	96,848 uts.	07/19/04
WALLS INDUSTRIES, INC.		
A provider of branded workwear and sporting goods apparel.		
10% Senior Subordinated Lien Note due 2009	\$ 552,632	07/12/04
14% Senior Subordinated Note due 2012	\$ 552,631	07/12/04
Limited Partnership Interest (B)	19,737 uts.	07/12/04
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	2,133 shs.	07/12/04
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	11/03/00
Senior Preferred Stock (B)	2,484 shs.	11/01/00
Class B Common Stock (B)	4,743 shs.	11/01/00
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	2,107 shs.	11/03/00
WEASLER HOLDINGS LLC		
A manufacturer of mechanical power transmission components for the agricultural, lawn and turf industries.		
Limited Partnership Interest (B)	0.82% int.	02/03/04
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	136 shs.	02/04/03

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WICOR AMERICAS, INC.

A manufacturer of cellulose based insulation products, systems and services for electrical transformer equipment manufacturers.

20% Senior Subordinated Secured Note due 2009 \$ 1,334,139 11/09/01

TOTAL PRIVATE PLACEMENT INVESTMENTS

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Interest Rate	Due Date	Shares or Principal Amount	Cost
RULE 144A SECURITIES - 10.04%: (A)				
BONDS - 9.62%				
A E S Corporation	8.750%	05/15/13	\$ 425,000	\$ 479,59
A E S Corporation	9.000	05/15/15	175,000	175,00
Appleton Papers, Inc.	8.125	06/15/11	250,000	250,00
Argo Tech Corporation	9.250	06/01/11	425,000	425,00
BCP Caylux Holding Lux SCA	9.625	06/15/14	550,000	551,71
Blockbuster, Inc.	9.000	09/01/12	150,000	150,00
Bombardier Capital, Inc.	6.125	06/29/06	500,000	513,00
Bombardier Capital, Inc.	6.300	05/01/14	500,000	440,31
Cablevision Systems Corporation	5.670	04/01/09	450,000	450,00
Cadmus Communications Corporation	8.375	06/15/14	350,000	350,00
Charter Communications Op LLC	8.000	04/30/12	500,000	498,75
Chesapeake Energy Corporation	7.000	08/15/14	150,000	150,00
Collins & Aikman Products Co.	12.875	08/24/12	150,000	144,66
GulfMark Offshore, Inc.	7.750	07/15/14	300,000	298,72
IMAX Corporation	9.625	12/01/10	250,000	250,00
Interactive Health LLC	7.250	04/01/11	500,000	407,01
Jostens I H Corporation	7.625	10/01/12	650,000	650,00
K 2, Inc.	7.375	07/01/14	150,000	150,00
M G M Mirage, Inc.	6.000	10/01/09	225,000	228,35
Metaldyne Corporation	10.000	11/01/13	340,000	342,18
North American Energy Partners	8.750	12/01/11	200,000	200,00
O E D Corp/Diamond Jo Company Guarantee	8.750	04/15/12	500,000	492,98
Pacific Energy Partners	7.125	06/15/14	250,000	245,63
Pinnacle Food Holding	8.250	12/01/13	225,000	225,00
Sheridan Acquisition Corporation	10.250	08/15/11	225,000	222,00
Siebe PLC	6.500	01/15/10	350,000	308,00
TCW Leveraged Income Trust, L.P. (B)	8.410	09/30/04	1,500,000	1,500,00
Tenet Healthcare Corporation	9.875	07/01/14	350,000	341,85
Warner Music Group	7.375	04/15/14	125,000	125,00
Wornick Co.	10.875	07/15/11	350,000	350,00
TOTAL BONDS			\$ 11,065,000	10,914,79

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CONVERTIBLE BONDS - 0.42%				
Cymer, Inc.	3.500%	02/15/09	\$ 450,000	\$ 450,000
			450,000	450,000
TOTAL CONVERTIBLE BONDS			\$ 450,000	450,000
CONVERTIBLE PREFERRED STOCK - 0.00%				
D T Industries, Inc. (B)			10,000	\$ 500,000
TOTAL CONVERTIBLE PREFERRED STOCK				500,000
WARRANTS - 0.00%				
Winsloew Furniture, Inc. (B)			700	\$
TOTAL WARRANTS				
TOTAL RULE 144A SECURITIES				11,864,800
TOTAL CORPORATE RESTRICTED SECURITIES				\$104,014,710

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### CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

	Interest Rate ----	Due Date ----	Principal Amount -----	Cost ----
CORPORATE PUBLIC SECURITIES - 22.20%: (A)				
BONDS - 19.69%				
A E P Industries, Inc.	9.875%	11/15/07	\$ 150,000	\$ 142,870
Activant Solutions, Inc.	10.500	06/15/11	400,000	403,370
Aearo Co.	8.250	04/15/12	225,000	225,000
Airplanes Pass Thru Trust (B)	8.150	03/15/19	1,399,350	1,398,110
Allied Waste NA	7.375	04/15/14	500,000	487,500
American Media Operation, Inc.	8.875	01/15/11	475,000	475,730
Arrow Electronics, Inc.	7.000	01/15/07	500,000	529,320
C S C Holdings, Inc.	7.625	04/01/11	250,000	251,120
Cenveo Corporation	7.875	12/01/13	550,000	550,000
Chemed Corporation	8.750	02/24/11	600,000	600,000
Cincinnati Bell, Inc.	8.375	01/15/14	550,000	503,750
Collins & Aikman Products Co.	10.750	12/31/11	300,000	309,520
Del Monte Corporation	8.625	12/15/12	200,000	200,000
Dollar Financial Group	9.750	11/15/11	325,000	325,000
Dominos, Inc.	8.250	07/01/11	109,000	108,210
Electronic Data Systems Co.	7.125	10/15/09	500,000	506,550
Esterline Technologies	7.750	06/15/13	175,000	175,000
Flextronics International Ltd.	6.500	05/15/13	250,000	250,000
Ford Motor Credit Co.	5.800	01/12/09	500,000	499,070
G F S I, Inc.	9.625	03/01/07	375,000	335,790
Gencorp, Inc.	9.500	08/15/13	200,000	200,000
General Motors Acceptance Corporation	5.850	01/14/09	500,000	503,940
General Nutrition Center	8.500	12/01/10	425,000	435,930
Goodyear Tire & Rubber Co.	7.857	08/15/11	350,000	327,250
Hexcel Corporation	9.750	01/15/09	340,000	340,000
Houghton Mifflin Co.	9.875	02/01/13	500,000	528,580
Huntsman LLC	11.625	10/15/10	250,000	247,030
Intrawest Corporation	7.500	10/15/13	250,000	250,000

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Koppers, Inc.	9.875	10/15/13	250,000	250,000
Leucadia National Corporation	7.000	08/15/13	350,000	357,430
Lodgenet Entertainment Corporation	9.500	06/15/13	375,000	375,000
Lyondell Chemical Co.	9.500	12/15/08	450,000	461,760
M S X International, Inc.	11.000	10/15/07	175,000	173,500
Majestic Star Casino LLC	9.500	10/15/10	250,000	250,000
Manitowoc Company, Inc.	7.125	11/01/13	100,000	100,000
Mediacom LLC	9.500	01/15/13	600,000	592,750
Nalco Co.	7.750	11/15/11	250,000	250,000
Neff Corporation	10.250	06/01/08	90,000	89,000
Nextel Communications Corporation	7.375	08/01/15	400,000	410,820
Northwest Airlines Corporation	8.970	01/02/15	711,425	711,420
Numatics, Inc.	9.625	04/01/08	375,000	376,930
Offshore Logistics, Inc.	6.125	06/15/13	350,000	350,000
Pliant Corporation	0.000	06/15/09	675,000	564,570
Quintiles Transnational Corporation	10.000	10/01/13	250,000	250,000
Rayovac Corporation	8.500	10/01/13	175,000	175,000
Rent-A-Center, Inc.	7.500	05/01/10	250,000	250,000
Rent-Way, Inc.	11.875	06/15/10	450,000	473,290
Rhodia SA	8.875	06/01/11	250,000	249,830
Rhodia SA	10.250	06/01/10	250,000	252,790
S P X Corporation	6.250	06/15/11	250,000	250,000
Service Corp International	6.000	12/15/05	21,000	21,110
Sports Club Co.	11.375	03/15/06	100,000	97,000
Tekni-Plex, Inc.	12.750	06/15/10	500,000	483,500

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CORPORATE PUBLIC SECURITIES (A) (CONTINUED)	Interest Rate ----	Due Date ----	Shares or Principal Amount -----	Cost ----
Telex Communications, Inc.	11.500%	10/15/08	\$ 250,000	\$ 250,000
Tenet Healthcare Corporation	6.375	12/01/11	250,000	241,250
Triton P C S, Inc.	8.500	06/01/13	500,000	500,000
Tyco International Group SA	6.375	10/15/11	150,000	148,500
United Rentals, Inc.	7.750	11/15/13	325,000	325,000
Vicorp Restaurants Inc.	10.500	04/15/11	300,000	296,370
Von Hoffman Press, Inc.	10.250	03/15/09	175,000	184,350
Vought Aircraft Industries	8.000	07/15/11	650,000	649,480
Williams Scotsman, Inc.	9.875	06/01/07	250,000	246,250
Winsloew Furniture, Inc.	12.750	08/15/07	350,000	342,010
TOTAL BONDS			\$ 22,245,775	22,107,680
COMMON STOCK - 2.00%				
Convera Corporation (B)			21,050	\$ 771,150
D T Industries, Inc. (B)			89,438	584,040
Distributed Energy Systems 1			4,000	177,070
EOS International, Inc. (B)			39,375	438,150
H C I Direct, Inc. (B)			500	--
I T C/Deltacom, Inc. (B)			11,750	227,950
Rent-Way, Inc. (B)			46,432	458,120
Transmontaigne, Inc. (B)			277,771	909,170
TOTAL COMMON STOCK				3,565,680
CONVERTIBLE BONDS - 0.51%				



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Gencorp, Inc.	214,000	& RUBBER - 2.58%
Goodyear Tire & Rubber Co.	329,875	Capital Specialty Plastics
Jason, Inc.	832,922	Huntsman LLC
LIH Investors, L.P.	2,721,018	Koppers, Inc.
Metaldyne Corporation	316,200	Lyondell Chemical Co.
Nyloncraft, Inc.	1,768,712	Process Chemicals LLC
	-----	Rhodia SA
	7,933,602	Tomah Holdings, Inc.
	-----	
BEVERAGE, DRUG & FOOD - 5.09%		
Beta Brands Ltd.	--	
Cains Foods, L.P.	97,201	CONSUMER PRODUCTS - 8.32%
Del Monte Corporation	222,500	Appleton Papers, Inc.
Dominos, Inc.	117,992	Colibri Holdings Corporati
Eagle Pack Pet Foods, Inc.	560,804	Euro-Pro Corporation
Nonni's Food Company	1,159,735	G F S I, Inc.
Pinnacle Food Holding	212,062	H C I Direct, Inc.
River Ranch Fresh Foods LLC	1,119,231	K 2, Inc.
Specialty Foods Group, Inc.	49,487	Maverick Acquisition Compa
Vicorp Restaurants, Inc.	298,500	Neff Motivation, Inc.
Vitality Foodservice, Inc.	1,121,381	Rayovac Corporation
Wornick Co.	374,500	Royal Baths Manufacturing
	-----	Savage Sports Holdings, In
	5,333,393	The Tranzonic Companies
	-----	Walls Industries, Inc.
		Winsloew Furniture, Inc.
BROADCASTING & ENTERTAINMENT - 2.84%		
C S C Holdings, Inc.	263,437	
Cablevision Systems Corporation	468,000	
Cenveo Corporation	536,250	
Charter Communications Op LLC	498,750	
Lodgenet Entertainment Corporation	408,750	
Mediacom Communications Corporation	577,500	
M G M Mirage, Inc.	228,094	
	-----	
	2,980,781	
	-----	

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

INDUSTRY CLASSIFICATION: (Cont.)	Fair Value/ Market Value	INDUSTRY CLASSIFICATION: (
	-----	
CONTAINERS, PACKAGING & GLASS - 6.98%		ELECTRONICS - 4.28%
A E P Industries, Inc.	\$ 152,812	A E S Corporation
Paradigm Packaging, Inc.	1,288,125	Arrow Electronics, Inc.
Pliant Corporation	577,125	Directed Electronics, Inc.
Selig Acquisition Corporation	1,368,793	Distributed Energy Systems
Snyder Industries, Inc.	2,328,066	Electronic Data Systems Co
Tekni-Plex, Inc.	417,500	Flextronics International
Vitex Packaging, Inc.	1,185,496	Precision Dynamics, Inc.
		Siebe PLC

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	----- 7,317,917 -----	
DISTRIBUTION - 6.95%		FARMING & AGRICULTURE - 0.
Corvest Group, Inc.	1,965,370	Polymer Technologies, Inc.
G C-Sun Holdings L.P.	690,000	Western, Inc.
Kele and Associates, Inc.	1,228,836	Protein Genetics, Inc.
QualServ Corporation	1,131,606	
Strategic Equip & Supply Corporation, Inc.	2,272,500	FINANCIAL SERVICES - 3.41%
	----- 7,288,312 -----	Airplanes Pass Thru Trust
DIVERSIFIED/CONGLOMERATE,		BCP Caylux Holding Lux SCA
MANUFACTURING - 5.38%		Dollar Financial Group
Activant Solutions, Inc.	412,000	East River Ventures I, L.P.
Bombardier Capital, Inc.	927,769	Ford Motor Credit Co.
Coining of America LLC	1,107,316	General Motors Acceptance
Dexter Magnetics Technologies, Inc.	523,694	Highgate Capital LLC
Evans Consoles, Inc.	301,500	Leucadia National Corporat
S P X Corporation	243,750	TCW Leveraged Income Trust
Tinnerman-Palnut Engineered Components	697,584	Victory Ventures LLC
Tyco International Group SA	165,888	Williams Scotsman, Inc.
Wicor Americas, Inc.	1,262,807	
	----- 5,642,308 -----	HEALTHCARE, EDUCATION &
DIVERSIFIED/CONGLOMERATE,		CHILD CARE - 4.65%
SERVICE - 6.95%		A T I Acquisition Company
Allied Waste NA	481,250	American Hospice Management
CapeSuccess LLC	2,512	Interactive Health LLC
Chemed Corporation	1,203,270	MedAssist, Inc.
Diversco, Inc./DHI Holdings, Inc.	696,032	Quintiles Transnational Co
Dwyer Group, Inc.	1,291,909	Tenet Healthcare Corporati
Examination Management Services, Inc.	--	
Hamilton Funeral Services Centers, Inc.	220,803	HOME & OFFICE FURNISHINGS,
Lancaster Laboratories, Inc.	434,778	HOUSEWARES, AND DURABLE
Moss, Inc.	869,764	CONSUMER PRODUCTS - 4.55
M S X International, Inc.	173,250	Home Decor Holding Company
Service Corp International	21,578	Hussey Seating Corporation
U S M Holdings Corporation	1,127,156	Sport Court International,
Washington Inventory Services, Inc.	759,675	U-Line Corporation
	----- 7,281,977 -----	

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2004  
(Unaudited)

INDUSTRY CLASSIFICATION: (Cont.)	Fair Value/ Market Value	INDUSTRY CLASSIFICATION: (
	-----	
LEISURE, AMUSEMENT, ENTERTAINMENT - 2.25%		PHARMACEUTICALS - 0.49%
IMAX Corporation	\$ 249,375	Enzymatic Therapy, Inc.
Intrawest Corporation	259,063	PUBLISHING/PRINTING - 2.37

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Keepsake Quilting, Inc.	999,866	American Media Operation,
Majestic Star Casino LLC	255,000	Cadmus Communications Corp
O E D Corp/Diamond Jo Company Guarantee	462,500	Houghton Mifflin Co.
Warner Music Group	129,375	Jostens I H Corporation
	-----	Sheridan Acquisition Corpo
	2,355,179	Von Hoffman Press, Inc.
	-----	
MACHINERY - 12.79%		
Aearo Co.	229,500	
C & M Conveyor, Inc.	1,207,907	RETAIL STORES - 5.84%
D T Industries, Inc.	268	Blockbuster, Inc.
Integration Technology Systems, Inc.	950,164	EOS International, Inc.
Manitowoc Company, Inc.	105,750	General Nutrition Center
Maxon Corporation	1,471,941	Neff Corporation
NPC, Inc.	2,051,536	Olympic Sales, Inc.
Numatics, Inc.	337,500	P H I Holding Company
PW Eagle, Inc.	748,894	Rent-A-Center, Inc.
Safety Speed Cut Manufacturing Company, Inc.	1,869,412	Rent-Way, Inc.
Synventive Equity LLC	1,144,959	Sports Club Co.
Tronair, Inc.	1,749,277	TVI, Inc.
Tubular Textile Machinery	1,486,241	United Rentals, Inc.
Weasler Holdings LLC	51,428	
	-----	
	13,404,777	
	-----	
MEDICAL DEVICES/BIOTECH - 2.78%		
Beacon Medical Products, Inc.	1,128,826	TECHNOLOGY - 0.71%
Coeur, Inc.	648,497	Convera Corporation
E X C Acquisition Corporation	1,139,006	Cymer, Inc.
	-----	Delstar Holding Corporatio
	2,916,329	
	-----	
MINING, STEEL, IRON		
& NON PRECIOUS METALS - 0.05%		
Better Minerals & Aggregates	54,525	TELECOMMUNICATIONS - 1.63%
	-----	Cincinnati Bell, Inc.
OIL AND GAS - 3.24%		
Chesapeake Energy Corporation	158,625	I T C/Deltacom, Inc.
GulfMark Offshore, Inc.	303,750	Nextel Communications Corp
Mustang Ventures Company	496,624	Telex Communications, Inc.
North American Energy Partners	195,000	Triton P C S, Inc.
Offshore Logistics, Inc.	355,250	
Pacific Energy Partners	270,625	UTILITIES - 0.25%
Transmontaigne, Inc.	1,616,627	Nalco Co.
	-----	
	3,396,501	Total Corporate Restricted
	-----	and Public Securities - 11

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS      MASSMUTUAL PARTICIPATION INVESTORS (Unaudited)

#### 1. HISTORY

MassMutual Participation Investors (the "Trust") was organized as a Massachusetts business trust under the laws of the Commonwealth of Massachusetts pursuant to a Declaration of Trust dated April 7, 1988. The Trust is a diversified closed-end management investment company. Babson Capital Management LLC, formerly David L. Babson & Company Inc. ("Babson



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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 purchases 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's 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 openmarket 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS      MASSMUTUAL PARTICIPATION INVESTORS  
(CONTINUED)

prospects of the issuer; the existence of merger proposals or tender offers affecting the issuer; and any other factors affecting fair value, all in accordance with the Investment Company Act of 1940, as amended. 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 \$84,283,686 (80.40% of net assets) as of September 30, 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 September 30, 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.

**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.

The Trust has elected to accrue, for financial reporting purposes, certain premiums and discounts which are required to be accrued for federal income tax purposes.

Realized gains and losses on investment transactions and unrealized appreciation and depreciation of investments are reported for financial

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statement and federal income tax purposes on the identified cost method.

### C. USE OF ESTIMATES:

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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS      MASSMUTUAL PARTICIPATION INVESTORS (CONTINUED)

### D. FEDERAL INCOME TAXES

No provision for federal income taxes on net investment income and short-term capital gains is considered necessary for the Trust because it is a "regulated investment company" under the Internal Revenue Code, and intends to maintain this qualification by, among other things, distributing 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.

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.

### 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

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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 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.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS      MASSMUTUAL PARTICIPATION INVESTORS (CONTINUED)

#### 4. SENIOR SECURED INDEBTEDNESS:

##### A. NOTE PAYABLE

MassMutual holds the Trust's \$12,000,000 Senior Fixed Rate Convertible Note (the "Note") issued by the Trust in 1995. The Note, as amended, is due December 13, 2011, and accrues interest at 5.80% per annum. MassMutual, at its option, can convert the principal amount of the Note into common shares. The dollar amount of principal would be converted into an equivalent dollar amount of common shares based upon the average price of the common shares for ten business days prior to the notice of conversion. For the nine months ended September 30, 2004, the Trust incurred total interest expense on the Note of \$522,000.

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)

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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 September 30, 2004, there was \$10,500,000 in outstanding loans against the Revolver and the average blended rate of interest attributable to the Revolver was 1.27%. For the nine months ended September 30, 2004, the Trust incurred total interest expense on the Revolver of \$133,131, plus \$7,245 related to the undrawn portion.

5. PURCHASES AND SALES OF INVESTMENTS	FOR THE NINE MONTHS ENDED 9/30/2004	
	-----	-----
	COST OF INVESTMENTS ACQUIRED	PROCEEDS FROM SALES OR MATURITIES
	-----	-----
Corporate restricted securities	\$ 41,686,955	\$ 38,436,045
Corporate public securities	8,741,918	7,363,052
Short-term securities	275,374,602	278,147,514

The aggregate cost of investments was the same for financial reporting and federal income tax purposes as of September 30, 2004. The net unrealized depreciation of investments for financial reporting and federal tax purposes as of September 30, 2004 is \$12,099,426 and consists of \$9,376,009 appreciation and \$21,475,435 depreciation.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS      MASSMUTUAL PARTICIPATION INVESTORS (CONTINUED)

#### 6. QUARTERLY RESULTS OF INVESTMENT OPERATIONS

	MARCH 31, 2004	
	-----	-----
	AMOUNT	PER SHARE
	-----	-----
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
	JUNE 30, 2004	
	-----	-----
	AMOUNT	PER SHARE
	-----	-----
Investment income	\$ 3,448,275	
Net investment income	2,871,018	\$ 0.30
Net realized and unrealized gain on investments (net of taxes)	2,538,265	0.26
	SEPTEMBER 30, 2004	
	-----	-----
	AMOUNT	PER SHARE



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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.