

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

MASSMUTUAL PARTICIPATION INVESTORS  
Form N-CSRS  
September 05, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

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

MassMutual Participation Investors  
-----

(Exact name of registrant as specified in charter)

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

(Address of principal executive offices)

(Zip code)

Rodney J. Dillman, 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: 6/30/06  
-----

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 semi-annual shareholder report transmitted to shareholders pursuant to Rule 30e-1 of the Investment Company Act of

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

1940, as amended.

MASSMUTUAL  
PARTICIPATION INVESTORS

REPORT FOR THE  
SIX MONTHS ENDED JUNE 30, 2006

[LOGO]

ADVISER

Babson Capital Management LLC  
1500 Main Street  
Springfield, Massachusetts 01115

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP  
Boston, Massachusetts 02110

COUNSEL TO THE TRUST

Ropes & Gray LLP  
Boston, Massachusetts 02110

CUSTODIAN

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

TRANSFER AGENT & REGISTRAR

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

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

INTERNET WEBSITE: WWW.BABSONCAPITAL.COM/MPV

MassMutual Participation Investors  
c/o Babson Capital Management LLC  
[LOGO] 1500 Main Street, Suite 600  
Springfield, Massachusetts 01115  
(413) 226-1516

---

### INVESTMENT OBJECTIVE AND POLICY

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

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 ("Babson Capital") manages the Trust on a total return basis. The Trust distributes substantially all of its net income to shareholders each year. Accordingly, the Trust pays dividends to shareholders quarterly in January, May, August, and November. All registered shareholders are automatically enrolled in the Dividend Reinvestment and Cash Purchase Plan unless cash distributions are requested.

### FORM N-Q

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

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

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital. 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 the Trust's website: <http://www.babsoncapital.com/mpv>; and (3) on the SEC's 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 the Trust's website: <http://www.babsoncapital.com/mpv>; and (2) on the SEC's website at <http://www.sec.gov>.

MPV  
Listed

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

NYSE

TO OUR SHAREHOLDERS

August 9, 2006

We are pleased to present the June 30, 2006 Semi-Annual Report of MassMutual Participation Investors (the "Trust"). At the Trust's Quarterly Board of Trustees Meeting, which was held on July 18, 2006, the Trustees appointed William J. Barrett as a Trustee, thereby increasing the size of the Board from eight to nine. Mr. Barrett is currently President of Barrett-Gardner Associates, Inc., an investment banking firm.

The Trust's Board of Trustees declared a quarterly dividend of 24 cents per share, payable on August 14, 2006 to shareholders of record on July 28, 2006. A dividend of 24 cents per share was paid in the previous quarter. U.S. equity markets, as measured by several broad market indices, posted mixed returns. During the quarter ended June 30, 2006, large company stocks, as approximated by the Dow Jones Industrial Average, increased 0.94%, while smaller company stocks, as approximated by the Russell 2000 Index, decreased 5.02%. For the six months ended June 30, 2006, returns were 5.22% and 8.21%, respectively. U.S. fixed income markets, as measured by selected indices, were also mixed during the quarter. The Lehman Brothers Government/Credit Index and the Lehman Brothers U.S. Corporate High Yield Index decreased 0.14% and increased 0.25%, respectively, for the quarter. For the six months ended June 30, 2005, returns were -1.15% and 3.14%, respectively.

For the quarter ended June 30, 2006, the Trust earned 26 cents per share, of which 2 cents per share was from nonrecurring items. The Trust earned 27 cents per share in the previous quarter, of which 3 cents per share was from nonrecurring items. The Trust's net assets as of June 30, 2006 totaled \$129,932,933 or \$13.29 per share compared to \$125,929,579 or \$12.90 per share on March 31, 2006. This translated into a net portfolio return of 4.97% for the quarter, and 10.90% for the six months ended June 30, 2006, 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 24.11%, 17.37%, 14.52%, and 13.94% for the 1-, 5-, 10- and 15- year time periods ended June 30, 2006, respectively, based on change in net assets with the reinvestment of all dividends.

During the quarter, the Trust made private placement investments in six new issuers and closed two "follow-on" investments, totaling approximately \$6.9 million. The follow-on investments purchased by the Trust were in Eagle Pack Pet Foods, Inc. and Terra Renewal Services, Inc. The six new issuers the Trust invested in were Bravo Sports Holding Corporation, F H S Holdings LLC, Flutes, Inc., K N B Holdings Corporation, Magnatech International, Inc. and Overton's Holding Company. The weighted average coupon of the bond portion of these investments was 11.91%. (A brief description of these investments can be found in the consolidated schedule of investments.)

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

Sincerely,

PORTFOLIO COMPOSITION AS OF 06/30/06\*

/s/ Clifford M. Noreen

[PIE CHART APPEARS HERE]

-----  
Clifford M. Noreen  
President

Public Equity 0.4%  
Private High Yield Debt 46.2%  
Private Investment Grade Debt 6.3%  
Private/Restricted Equity 16.9%

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

Cash & Short Term Investments 9.3%  
Public High Yield Debt 20.9%

\*Based on market value of total investments

-----  
1

CONSOLIDATED STATEMENT OF  
ASSETS AND LIABILITIES

MASSMUTUAL PARTICIPATION INVESTORS

June 30, 2006  
(Unaudited)

ASSETS:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$96,023,050)	\$ 97,532,125
Corporate public securities at market value (Cost - \$30,589,499)	29,834,071
Short-term securities at amortized cost	9,198,378

-----  
136,564,574

Cash	3,826,997
Interest receivable	1,874,094
Receivable for investments sold	867,920
Other assets	12,635

-----

TOTAL ASSETS	143,146,220
--------------	-------------

-----

LIABILITIES:

Payable for investments purchased	\$ 425,171
Investment advisory fee payable	292,349
Note payable	12,000,000
Interest payable	88,933
Accrued expenses	173,164
Accrued taxes payable	233,670

-----

TOTAL LIABILITIES	13,213,287
-------------------	------------

-----

TOTAL NET ASSETS	\$129,932,933
------------------	---------------

=====

NET ASSETS:

Common shares, par value \$.01 per share; an unlimited number authorized	\$ 97,780
Additional paid-in capital	90,566,298
Retained net realized gain on investments, prior years	25,860,274
Undistributed net investment income	3,601,979
Accumulated net realized gain on investments	9,169,288
Net unrealized appreciation of investments	637,314

-----

TOTAL NET ASSETS	\$129,932,933
------------------	---------------

=====

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

COMMON SHARES ISSUED AND OUTSTANDING	9,777,975 =====
NET ASSET VALUE PER SHARE	\$ 13.29 =====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

2

CONSOLIDATED STATEMENT OF OPERATIONS  
For the six months ended June 30, 2006  
(Unaudited)

MASSMUTUAL PARTICIPATION INVESTORS

INVESTMENT INCOME:	
Interest	\$ 5,833,544
Dividends	490,238
	-----
TOTAL INVESTMENT INCOME	6,323,782 -----
EXPENSES:	
Investment advisory fees	575,691
Interest	366,596
Trustees' fees and expenses	61,200
Reports to shareholders	51,000
Professional fees	48,000
Transfer agent/registrar's expenses	8,400
Other	13,666
	-----
TOTAL EXPENSES	1,124,553 -----
INVESTMENT INCOME - NET	5,199,229 -----
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Net realized gain on investments before taxes	8,470,874
Income tax expense	(177,888)
	-----
Net realized gain on investments	8,292,986
Net change in unrealized appreciation of investments before taxes	(753,264)
Net change in deferred income tax expense	59,081
	-----
Net change in unrealized appreciation of investments	(694,183)
NET GAIN ON INVESTMENTS	7,598,803 -----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 12,798,032 =====

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

3

CONSOLIDATED STATEMENT OF CASH FLOWS For the six months ended June 30, 2006 (Unaudited)	MASSMUTUAL PARTICIPATION INVESTORS
NET INCREASE IN CASH:	
Cash flows from operating activities:	
Interest and dividends received	\$ 6,482,631
Interest expense paid	(366,596)
Operating expenses paid	(760,479)
Income taxes paid	(3,599,079)
	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,756,477
	-----
Cash flows from investing activities:	
Purchases/Proceeds/Maturities from short-term portfolio securities, net	5,439,584
Purchases of portfolio securities	(22,426,509)
Proceeds from disposition of portfolio securities	21,001,461
	-----
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,014,536
	-----
NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES	5,771,013
	-----
Cash flows from financing activities:	
Cash dividends paid from net investment income	(5,169,026)
Receipts for shares issued on reinvestment of dividends	459,134
	-----
NET CASH USED FOR FINANCING ACTIVITIES	(4,709,892)
	-----
NET INCREASE IN CASH	1,061,121
Cash - beginning of year	2,765,876
	-----
CASH - END OF PERIOD	\$ 3,826,997
	=====
RECONCILIATION OF NET INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES:	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 12,798,032
	-----
Increase in investments	(4,144,678)
Decrease in interest and dividends receivable	570,425
Increase in receivable for investments sold	(382,653)
Decrease in other assets	145
Increase in payable for investments purchased	425,171

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

Increase in investment advisory fee payable	24,556
Decrease in accrued expenses	(39,713)
Decrease in accrued taxes payable	(3,480,272)
	-----
TOTAL ADJUSTMENTS TO NET ASSETS FROM OPERATIONS	(7,027,019)
	-----
NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES	\$ 5,771,013
	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

4

### CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

### MASSMUTUAL PARTICIPATION INVESTORS

For the six  
months ended  
06/30/2006  
(Unaudited)  
-----

#### INCREASE IN NET ASSETS:

##### OPERATIONS:

Investment income - net	\$ 5,199,229
Net realized gain on investments	8,292,986
Net change in unrealized appreciation (depreciation) of investments	(694,183)
	-----
Net increase in net assets resulting from operations	12,798,032

Increase from common shares issued on reinvestment of dividends	
Common shares issued (2006 - 33,745; 2005 - 71,671)	459,134

##### Dividends to shareholders from:

Net investment income (2006 - \$0.24 per share; 2005 - \$1.01 per share)	(2,343,199)
	-----

TOTAL INCREASE IN NET ASSETS	10,913,967
------------------------------	------------

NET ASSETS, BEGINNING OF YEAR	119,018,966
	-----

NET ASSETS, END OF PERIOD/YEAR (including undistributed net investment income of \$3,601,979 and \$923,836, respectively)	\$129,932,933
	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.



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

## CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS      MASSMUTUAL PARTICIPATION INVESTORS

Selected data for each share of beneficial interest outstanding:

	For the six months ended 06/30/2006 (Unaudited)	For the years ended D		
		2005	2004	2003
Net asset value:				
Beginning of year	\$ 12.21	\$ 11.13	\$ 9.84	\$ 8.78
Net investment income (a)	0.53	0.99	1.00	0.80
Net realized and unrealized gain (loss) on investments	0.78	1.09 (b)	1.36	1.21
Total from investment operations	1.31	2.08	2.36	2.01
Dividends from net investment income to common shareholders	(0.24)	(1.01)	(1.10)	(0.96)
Change from issuance of shares	0.01	0.01	0.03	0.01
Total distributions	(0.23)	(1.00)	(1.07)	(0.95)
Net asset value:				
End of period/year	\$ 13.29	\$ 12.21	\$ 11.13	\$ 9.84
Per share market value:				
End of period/year	\$ 14.85	\$ 14.05	\$ 13.31	\$ 11.65
Total investment return				
Market value	7.50%	17.25%	25.77%	35.50%
Net asset value (c)	10.90%	22.51%	25.14%	23.72%
Net assets (in millions):				
End of period/year	\$ 129.93	\$ 119.02	\$ 107.61	\$ 94.40
Ratio of operating expenses to average net assets	1.23% (d)	1.45%	1.63%	1.65%
Ratio of interest expense to average net assets	0.60% (d)	0.80%	0.89%	0.97%
Ratio of total expenses to average net assets	1.83% (d)	2.25%	2.52%	2.62%
Ratio of net investment income to average net assets	8.44% (d)	8.45%	9.60%	8.55%
Portfolio turnover	17.39%	31.50%	51.25%	55.08%

(a) Calculated using average shares.

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

- (b) Amount includes \$0.10 per share in litigation proceeds.  
(c) Net asset value return represents portfolio returns based on change in the Trust's net asset value less all dividends and distributions which differs from the total investment return based on the Trust's net asset value and the market value of its shares outstanding at the end of the period of future results.  
(d) Annualized.

Senior securities:

Total principal amount (in millions)	\$ 12	\$ 12	\$ 22.5	\$ 22.5
Asset coverage per \$1,000 of indebtedness	\$ 11,828	\$ 10,918	\$ 5,783	\$ 5,195

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

6

CONSOLIDATED SCHEDULE OF INVESTMENTS  
June 30, 2006  
(Unaudited)

MASSMUTUAL PARTICIPATION INVESTORS

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
--	--	---------------------

CORPORATE RESTRICTED SECURITIES - 75.06%: (A)

PRIVATE PLACEMENT INVESTMENTS - 70.46%

A T I ACQUISITION COMPANY

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

12% Senior Subordinated Note due 2012	\$ 1,125,000	04/08/04
Warrant, exercisable until 2012, to purchase common stock at \$.02 per share (B)	1,230 shs.	04/08/04
Warrant, exercisable until 2012, to purchase preferred stock at \$.01 per share (B)	33,505 shs.	03/23/06

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

AMERCABLE, INC.

A manufacturer of electric power, instrumentation and control cables, primarily for the mining and oil and gas industries.

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

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

### AMERICAN HOSPICE MANAGEMENT HOLDING LLC

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

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

### ARROW TRU-LINE HOLDINGS, INC.

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

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

### AUGUSTA SPORTSWEAR HOLDING CO.

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

12% Senior Subordinated Note due 2012	\$ 893,000	12/31/04
Common Stock (B)	275 shs.	*
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	73 shs.	12/31/04

\*12/31/04, 03/31/05 and 05/02/06.

### CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS June 30, 2006 (Unaudited)

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

#### CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)

### BEACON MEDICAL PRODUCTS, INC.

A designer, manufacturer and marketer of medical air and gas distribution systems.

9% Senior Secured Revolving Credit Facility due 2007 (C)	\$ 131,792	04/09/02
9% Senior Secured Tranche A Note due 2008 (C)	\$ 309,746	04/09/02
12% Senior Secured Note due 2010	\$ 412,112	04/09/02
Limited Partnership Interest of Riverside Capital Appreciation Fund IV, L.P. (B)	5.09% int.	04/09/02
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	794 shs.	04/09/02

### BETA BRANDS LTD.

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

5% Promissory Note due 2009 (B)	\$ 96,698	03/31/04
---------------------------------	-----------	----------

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

Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	2,421 shs.	03/31/04
---	------------	----------

### BRAVO SPORTS HOLDING CORPORATION

A designer and marketer of niche branded consumer products including canopies, trampolines, in-line skates, skateboards, and urethane wheels.

12.5% Senior Subordinated Note due 2014	\$ 1,207,902	06/30/06
Preferred Stock Class A (B)	465 shs.	06/30/06
Common Stock (B)	1 shs.	06/30/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	164 shs.	06/30/06

### C & J SPEC-RENT SERVICES, INC.

A provider of coiled tubing and pressure pumping services to the oil and gas industry in Texas and Louisiana.

10% Senior Secured Term Note due 2012	\$ 886,597	08/12/05
14% Senior Subordinated Note due 2013	\$ 653,153	08/12/05
Common Stock (B)	268,657 shs.	08/12/05
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	49,552 shs.	08/12/05

### 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	\$ 433,735	09/13/02
11% Senior Subordinated Note due 2010	\$ 478,916	09/13/02
Common Stock (B)	180,723 shs.	09/13/02
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	78,386 shs.	09/13/02

-----  
8

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
June 30, 2006  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti 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	1.81% int.	09/29/95
------------------------------	------------	----------

CAPESUCCESS LLC

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

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 pharmaceutical products.

Common Stock (B)	55 shs.	*
------------------	---------	---

COEUR, INC.

A producer of proprietary, disposable power injection syringes.

8.75% Senior Secured Term Note due 2010	\$ 264,493	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.

10.74% Senior Secured Revolving Credit Facility due 2007 (C)	\$ 61,728	01/07/02
10.21% Senior Secured Tranche A Note due 2007 (C)	\$ 434,222	06/26/01
13% Senior Secured Tranche B Note due 2008	\$ 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

CONNOR SPORT COURT INTERNATIONAL, INC.

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

12% Senior Subordinated Note due 2012 (D)	\$ 1,059,417	**
Limited Partnership Interest (B)	4.43% int.	***
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	92 shs.	**

\*12/30/97 and 05/29/99.

\*\*08/12/04 and 01/18/05.

\*\*\*08/12/04 and 01/14/05.

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

June 30, 2006

(Unaudited)

Shares, Units,  
Warrants,  
Ownership  
or Principal Acquisiti

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

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Amount	Date
<hr/>		
<p>CONSOLIDATED FOUNDRIES HOLDINGS            A manufacturer of engineered cast metal components for the global aerospace and defense industries.</p>		
12% Senior Subordinated Note due 2013	\$ 1,157,143	06/15/05
Common Stock (B)	269 shs.	*
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	54 shs.	06/15/05
<p>COREPHARMA LLC            A manufacturer of oral dose generic pharmaceuticals targeted at niche applications.</p>		
12% Senior Subordinated Note due 2013	\$ 1,350,000	08/04/05
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	10 shs.	08/04/05
<p>CORVEST GROUP, INC.            A manufacturer and distributor of promotional products.</p>		
12% Senior Subordinated Note due 2009 (D)	\$ 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.	**
<p>DEXTER MAGNETICS TECHNOLOGIES, INC.            A designer, fabricator, assembler and distributor of industrial magnets and subassemblies in North America and Europe.</p>		
Common Stock	310 shs.	07/19/01
Warrant, exercisable until 2006, to purchase common stock at \$.01 per share	157 shs.	07/19/01
<p>DIRECTED ELECTRONICS, INC.            A designer and distributor of brand name automotive security systems, audio products and installation accessories.</p>		
Common Stock (B)	126,817 shs.	12/19/05
Limited Partnership Interest (B)	4.61% int.	***

\*06/15/05 and 05/22/06.

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

\*\*\*12/22/99 and 09/14/05.

10

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
 June 30, 2006  
 (Unaudited)

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti Date
<hr/>		
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.		
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	11 shs.	06/28/04
EAGLE PACK PET FOODS, INC.		
A manufacturer of premium pet food sold through independent pet stores.		
12% Senior Subordinated Note due 2011	\$ 803,572	***
Warrant, exercisable until 2011, to purchase common stock at \$.02 per share (B)	2,163 shs.	09/24/04
EAST RIVER VENTURES I, L.P.		
An acquirer of controlling or substantial interests in other entities.		
Limited Partnership Interest (B)	0.03% int.	01/01/01
ENZYMATIC THERAPY, INC.		
A manufacturer and distributor of branded natural medicines and nutritional supplements.		
Limited Partnership Interest (B)	0.70% int.	03/30/00
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	15,415 shs.	03/30/00

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

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

\*\*\*09/24/04 and 4/20/06.

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

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
 June 30, 2006  
 (Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti Date
<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
16.03% Overdue Interest Secured Note due 2008 (C)	\$ 75,952	01/13/06
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	23,229 shs.	09/09/03
<b>EVANS CONSOLES, INC.</b>		
A designer and manufacturer of consoles and control center systems.		
Common Stock (B)	45,000 shs.	05/06/04
<b>F H S HOLDINGS LLC</b>		
A national provider of customized disease management services to large, self-insured employers.		
12% Senior Subordinated Note due 2014	\$ 1,265,625	06/01/06
Preferred Unit (B)	84 uts.	06/01/06
Common Unit (B)	844 uts.	06/01/06
Common Unit Class B (B)	734 shs.	06/01/06
<b>FLUTES, INC.</b>		
An independent manufacturer of micro fluted corrugated sheet material for the food and consumer products packaging industries.		
10% Senior Secured Term Note due 2013	\$ 524,791	04/13/06
14% Senior Subordinated Note due 2014	\$ 312,674	04/13/06
Common Stock (B)	62,535 shs.	04/13/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	17,680 shs.	04/13/06
<b>FOWLER HOLDING, INC.</b>		
A provider of site development services to residential homebuilders and developers in the Raleigh/Durham region of North Carolina.		
12% Senior Subordinated Note due 2013	\$ 1,252,174	02/03/06
Common Stock (B)	98 shs.	02/03/06
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	135 shs.	02/03/06



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

### FUEL SYSTEMS HOLDING CORPORATION

An independent North American supplier of fuel tanks for a wide variety of commercial vehicles.

12% Senior Subordinated Note due 2014	\$ 1,237,500	01/31/06
Common Stock (B)	112,500 shs.	01/31/06
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	73,275 shs.	01/31/06

-----  
12

### CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS June 30, 2006 (Unaudited)

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

#### H M HOLDING COMPANY

A designer, manufacturer, and importer of promotional and wood furniture.

12% Senior Subordinated Note due 2013	\$ 1,170,000	02/10/06
Common Stock (B)	180 shs.	02/10/06
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	67 shs.	02/10/06

#### HIGHGATE CAPITAL LLC

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

Series A Preferred Units (B)	0.30% int.	07/21/94
------------------------------	------------	----------

#### HOME DECOR HOLDING COMPANY

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

12.5% Senior Subordinated Note due 2012	\$ 1,081,731	*
Common Stock (B)	33 shs.	*
Warrant, exercisable until 2012, to purchase common stock at \$.02 per share (B)	106 shs.	*

#### INTEGRATION TECHNOLOGY SYSTEMS, INC.

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

12% Senior Secured Note due 2006	\$ 949,004	03/01/04
Common Stock (B)	130 shs.	06/01/00

#### ITC^DELTACOM, INC.

A provider of integrated communications services in the

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

southeastern United States.

13.19% Senior Secured Note due 2009 (C)	\$ 1,174,631	07/26/05
16.69% Senior Secured Note due 2009 (C)	\$ 187,317	07/26/05
Warrant, exercisable until 2009, to purchase convertible preferred stock at \$.01 per share (B)	54,468 shs.	07/26/05

JASON, INC.

A diversified manufacturing company serving various industrial markets.

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

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

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
June 30, 2006  
(Unaudited)

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

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)

JUSTRITE MANUFACTURING ACQUISITION CO.

A manufacturer of safety products such as storage cabinets and containers.

12% Senior Subordinated Note due 2011	\$ 843,750	12/15/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	594 shs.	12/15/04

K N B HOLDINGS CORPORATION

A designer, manufacturer and marketer of products for the custom framing market.

13.5% Senior Subordinated Note due 2013	\$ 1,278,947	05/25/06
Common Stock (B)	71,053 shs.	05/25/06
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	43,600 shs.	05/25/06

KEEPSAKE QUILTING, INC.

A seller of quilting fabrics, books, patterns, kits and notions to consumers.

8.77% Senior Secured Revolving Note due 2006 (C)	\$ 20,967	06/16/00
8.77% Senior Secured Tranche A Note due 2007 (C)	\$ 157,255	06/16/00
12% Senior Secured Tranche B Note due 2008	\$ 314,509	06/16/00

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

Limited Partnership Interest of Riverside XVI Holding Company, L.P. (B)	3.02% int.	06/12/00
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	633 shs.	06/12/00
KELE AND ASSOCIATES, INC.		
A distributor of building automation control products.		
12% Senior Subordinated Note due 2012	\$ 969,643	02/27/04
Preferred Stock (B)	12 shs.	11/24/04
Common Stock (B)	6 shs.	02/27/04
Warrant, exercisable until 2012, to purchase common stock at \$.02 per share (B)	6 shs.	02/27/04
KEYSTONE NORTH AMERICA, INC.		
An operator of funeral homes in North America.		
Common Stock	28,577 shs.	02/08/05
LIH INVESTORS, L.P.		
A manufacturer and marketer of a broad line of external accessories for new and used sport utility vehicles, trucks and vans.		
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.

-----  
14

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
June 30, 2006  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal	Acquisiti Date
CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Amount	Date
-----		
MAGNATECH INTERNATIONAL, INC.		
A supplier of process equipment and related parts used in the manufacturing of medium and high-pressure reinforced hoses.		
12% Senior Subordinated Note due 2014	\$ 675,000	04/05/06
13% Preferred Stock (B)	299 shs.	04/05/06
Common Stock (B)	66 shs.	04/05/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	7 shs.	04/05/06

MAVERICK ACQUISITION COMPANY

A manufacturer of capsules that cover the cork and neck of

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

wine bottles.

9.50% Senior Secured Tranche A Note due 2010 (C)	\$	393,837	09/03/04
12% Senior Secured Tranche B Note due 2011	\$	179,104	09/03/04
Limited Partnership Interest (B)		4.48% int.	09/03/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)		243 shs.	09/03/04

MAXON CORPORATION

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

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

MEDASSIST, INC.

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

8% Preferred Stock (B)		44 shs.	10/28/04
Common Stock (B)		13,863 shs.	10/28/04
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)		47,090 shs.	05/01/03

MICROGROUP, INC.

A manufacturer of precision parts and assemblies, and a value-added supplier of metal tubing and bars.

12% Senior Subordinated Note due 2013	\$	1,134,000	08/12/05
Common Stock (B)		216 shs.	08/12/05
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)		73 shs.	08/12/05

-----  
 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
 June 30, 2006  
 (Unaudited)

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

MONESSEN HOLDING CORPORATION

A designer and manufacturer of a broad line of gas, wood and electric hearth products and accessories.

12% Senior Subordinated Note due 2014	\$	1,350,000	03/31/06
Warrant, exercisable until 2014, to purchase			

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

common stock at \$.01 per share (B) 81 shs. 03/31/06

MOSS, INC.

A manufacturer and distributor of large display and exhibit structures.

9% Senior Secured Tranche A Note due 2010 (C)	\$	550,000	12/21/05
12% Senior Secured Tranche B Note due 2010	\$	200,000	12/21/05
Limited Partnership Interest of			
Riverside Capital Appreciation Fund I, L.P. (B)		0.01% int.	*
Warrant, exercisable until 2010, to purchase			
common stock at \$.01 per share (B)		122 shs.	12/21/05

NABCO, INC.

A producer of explosive containment vessels in the United States.

12% Senior Subordinated Note due 2014	\$	330,882	02/24/06
Limited Partnership Interest (B)		344 uts.	02/24/06
Warrant, exercisable until 2016, to purchase			
common stock at \$.01 per share (B)		26 shs.	02/24/06

NEFF MOTIVATION, INC.

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

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

NONNI'S FOOD COMPANY

A producer and distributor of premium biscotti and bagel chips in North America.

12.25% Senior Subordinated Note due 2012	\$	986,538	03/29/04
10% Preferred Stock (B)		135 shs.	03/29/04
Common Stock (B)		3,418 shs.	03/29/04
Warrant, exercisable until 2012, to purchase			
common stock at \$.01 per share (B)		4,565 shs.	03/29/04

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

-----  
16

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
June 30, 2006  
(Unaudited)

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

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

### NYLONCRAFT, INC.

A supplier of engineered plastic components for the automotive industry.

9% Senior Secured Note due 2009	\$ 464,286	01/28/02
11.5% Senior Subordinated Note due 2012	\$ 857,143	01/28/02
Common Stock (B)	178,571 shs.	01/28/02
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	138,928 shs.	01/28/02

### O R S NASCO HOLDING, INC.

A wholesale distributor of industrial supplies in North America.

13% Senior Subordinated Note due 2013	\$ 1,256,152	12/20/05
Common Stock (B)	93,848 shs.	12/20/05
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	52,820 shs.	12/20/05

### OAKRIVER TECHNOLOGY, INC.

Designs, engineers and assembles high precision automated process equipment for the medical device industry, with a focus on defibrillators and stents.

10% Senior Secured Note due 2012	\$ 323,115	01/03/06
13% Senior Subordinated Note due 2013	\$ 392,709	01/03/06
Common Stock (B)	184,176 shs.	01/03/06
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	41,249 shs.	01/03/06

### OLYMPIC SALES, INC.

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

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

### ONTARIO DRIVE & GEAR LTD.

A manufacturer of all-wheel drive, off-road amphibious vehicles and related accessories.

13% Senior Subordinated Note due 2013	\$ 1,047,115	01/17/06
Limited Partnership Interest (B)	1,942 uts.	01/17/06
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	328 shs.	01/17/06

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

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

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

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
 June 30, 2006  
 (Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisiti Date
<b>OVERTON'S HOLDING COMPANY</b>		
A marketer of marine and water sports accessories in the United States.		
12% Senior Subordinated Note due 2014	\$ 962,104	04/28/06
Common Stock (B)	50 shs.	04/28/06
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	49 shs.	04/28/06
<b>P I I HOLDING CORPORATION</b>		
A manufacturer of plastic film and bags for the general industrial, medical, and food industries.		
12% Senior Subordinated Note due 2013	\$ 1,215,000	03/31/06
Preferred Stock (B)	19 shs.	03/31/06
Common Stock (B)	12 shs.	03/31/06
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)	7 shs.	03/31/06
<b>PARADIGM PACKAGING, INC.</b>		
A manufacturer of plastic bottles and closures for the nutritional, pharmaceutical, personal care and food 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
<b>PROTEIN GENETICS, INC.</b>		
A producer of bovine artificial insemination products, related breeding and healthcare products and specialty genetics sold to the dairy and beef industries.		
9.8% Redeemable Exchangeable Preferred Stock (B)	332 shs.	08/12/94
Common Stock (B)	867 shs.	*
<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	187,500 shs.	05/28/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share	199,969 shs.	05/28/04

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

### QUALSERV CORPORATION

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

14% Senior Subordinated Note due 2012 (D)	\$ 1,002,475	07/09/04
Limited Partnership Interest (B)	4.90% int.	07/09/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	280 shs.	07/09/04

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

18

### CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS June 30, 2006 (Unaudited)

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

#### CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)

### RADIAC ABRASIVES, INC.

A manufacturer of bonded abrasive and super abrasive grinding wheels in the United States.

12% Senior Subordinated Note due 2014	\$ 1,196,809	02/10/06
Common Stock (B)	153,191 shs.	02/10/06
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	69,647 shs.	02/10/06

### RIVER RANCH FRESH FOODS LLC

A supplier of fresh produce to the retail and foodservice channels.

13% Senior Subordinated Note due 2011 (D)	\$ 975,000	09/29/04
Limited Partnership Interest (B)	21,500 uts.	09/29/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	12,481 shs.	09/29/04

### ROYAL BATHS MANUFACTURING COMPANY

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

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

### SAFETY SPEED CUT MANUFACTURING COMPANY, INC.

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

8.73% Senior Secured Tranche A Note due 2007 (C)	\$ 323,044	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



Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

SAVAGE SPORTS HOLDING, INC.

A manufacturer of sporting firearms.

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

SPECIALTY FOODS GROUP, INC.

A manufacturer and distributor of branded meat products.

Limited Partnership Interest of MHD Holdings LLC (B)		0.76% int.	08/29/00
--	--	------------	----------

STRATEGIC EQUIPMENT & SUPPLY CORPORATION, INC.

A provider of kitchen and restaurant design, equipment fabrication and installation services.

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

-----  
 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
 June 30, 2006  
 (Unaudited)

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

SYNVENTIVE EQUITY LLC

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

Limited Partnership Interest (B)		1.05% int.	08/20/03
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)		45,942 shs.	08/21/03

TANGENT RAIL CORPORATION

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

13% Senior Subordinated Note due 2013	\$	1,173,909	10/14/05
Preferred Stock (B)		1,749 shs.	10/14/05
Common Stock (B)		1,167 shs.	10/14/05
Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)		618 shs.	10/14/05

TERRA RENEWAL SERVICES, INC.

A provider of wastewater residual management and required environmental reporting, permitting, nutrient

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

management planning and record keeping to companies involved in poultry and food processing

10% Senior Secured Tranche A Note due 2011 (C)	\$	281,250		04/28/06
10.25% Senior Secured Tranche B Note due 2012 (C)	\$	421,874		04/28/06
12% Senior Subordinated Note due 2014	\$	664,062		04/28/06
Limited Partnership Interest of Saw Mill Capital Fund V, L.P.			2.30% int.	03/01/05
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)			41 shs.	04/28/06

### 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

### TRANSTAR HOLDING COMPANY

A distributor of aftermarket automotive transmission parts.

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

-----  
20

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS June 30, 2006 (Unaudited)

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

-----

### 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	\$	451,394		01/20/00
12% Senior Subordinated Note due 2010	\$	758,100		01/20/00
Common Stock (B)			129,960 shs.	01/20/00
Warrant, exercisable until 2010, to purchase common stock at \$1 per share (B)			148,912 shs.	01/20/00

### TRUCK BODIES & EQUIPMENT INTERNATIONAL

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

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

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

### TRUSTILE DOORS, INC.

A manufacturer and distributor of interior doors.

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

### TUBULAR TEXTILE MACHINERY

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

### TVI, INC.

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

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

### U S M HOLDINGS CORPORATION

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

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

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

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

June 30, 2006

(Unaudited)

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

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

### U S S HOLDINGS, INC.

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)	72,720 shs.	12/19/96
Common Stock (B)	10,013 shs.	09/30/99
Warrants, exercisable until 2010, to purchase common stock at \$.01 per share (B)	2,459 shs.	*

### U-LINE CORPORATION

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
Common Stock (B)	96 shs.	04/30/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	122 shs.	04/30/04

### VICTORY VENTURES LLC

An acquirer of controlling or substantial interests in other entities.

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

### VITALITY FOODSERVICE, INC.

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

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

### VITEX PACKAGING GROUP, INC.

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

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

### WALLS INDUSTRIES, INC.

A provider of branded workwear and sporting goods apparel.

10% Senior Subordinated Lien Note due 2009	\$ 444,079	07/12/04
14% Senior Subordinated Note due 2012	\$ 563,346	07/12/04
Limited Partnership Interest (B)	0.20% int.	07/12/04
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	2,133 shs.	07/12/04

### TOTAL PRIVATE PLACEMENT INVESTMENTS

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

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
 June 30, 2006  
 (Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Interest Rate	Due Date	Shares or Principal Amount
-----			
RULE 144A SECURITIES - 4.60%: (A)			
BONDS - 4.60%			
A E S Corporation	8.750%	05/15/13	\$ 425,000
A E S Corporation	9.000	05/15/15	175,000
Atlas Pipeline Partners	8.125	12/15/15	100,000
Basic Energy Services	7.125	04/15/16	125,000
Bombardier, Inc.	6.300	05/01/14	500,000
Charter Communications Op LLC	8.000	04/30/12	500,000
Douglas Dynamics LLC	7.750	01/15/12	325,000
Dynegy Holdings, Inc.	8.375	05/01/16	165,000
Edison Mission Energy	7.750	06/15/16	235,000
G F S I, Inc.	11.000	06/01/11	375,000
Interactive Health LLC	7.250	04/01/11	484,000
Neiman Marcus Group, Inc.	10.375	10/15/15	600,000
Packaging Corporation of America	10.000	05/01/16	350,000
Petrohawk Energy Corporation	9.125	07/15/13	275,000
Service Corporation International (C)	8.000	06/15/17	500,000
Siebe PLC	6.500	01/15/10	350,000
Stewart & Stevenson LLC	10.000	07/15/14	100,000
Sungard Data Systems	9.125	08/15/13	75,000
T C W Lev Income Trust LP	8.410	11/30/06	452,859
Tenaska Alabama Partners LP	7.000	06/30/21	180,789
TOTAL BONDS			
WARRANTS - 0.00%			
Winsloew Furniture, Inc. (B)			700
TOTAL WARRANTS			
TOTAL RULE 144A SECURITIES			
TOTAL CORPORATE RESTRICTED SECURITIES			

-----

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
 June 30, 2006  
 (Unaudited)

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

CORPORATE PUBLIC SECURITIES - 22.96%: (A)	Interest Rate	Due Date	Principal Amount
-----			
BONDS - 21.91%			
Abitibi-Consolidated, Inc.	7.750%	06/15/11	\$ 500,000
Allied Waste NA	7.875	04/15/13	500,000
Appleton Papers, Inc.	8.125	06/15/11	250,000
Argo Tech Corporation	9.250	06/01/11	425,000
Arrow Electronics, Inc.	7.000	01/15/07	500,000
BCP Crystal US Holdings Corporation	9.625	06/15/14	355,000
Blockbuster, Inc.	10.000	09/01/12	275,000
C S C Holdings, Inc.	7.625	04/01/11	250,000
Cablevision Systems Corporation (C)	9.620	04/01/09	450,000
Cadmus Communications Corporation	8.375	06/15/14	350,000
Chemed Corporation	8.750	02/24/11	600,000
Chesapeake Energy Corporation	7.000	08/15/14	650,000
Cincinnati Bell, Inc.	8.375	01/15/14	550,000
Clayton Williams Energy, Inc.	7.750	08/01/13	375,000
Del Monte Corporation	8.625	12/15/12	200,000
Dollar Financial Group	9.750	11/15/11	325,000
Dominos Pizza, 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
Ford Motor Credit Co.	7.375	10/28/09	750,000
Gencorp, Inc.	9.500	08/15/13	130,000
General Motors Acceptance Corporation	5.850	01/14/09	750,000
Goodyear Tire & Rubber Co.	7.857	08/15/11	350,000
GulfMark Offshore, Inc.	7.750	07/15/14	300,000
Houghton Mifflin Co.	9.875	02/01/13	500,000
Huntsman LLC	11.625	10/15/10	163,000
Imax Corporation	9.625	12/01/10	500,000
Inergy LP	8.250	03/01/16	75,000
Intelsat Subsidiary Holding Company Ltd. (C)	9.614	01/15/12	225,000
Interline Brands, Inc.	8.125	06/15/14	150,000
Intrawest Corporation	7.500	10/15/13	250,000
K 2, Inc.	7.375	07/01/14	150,000
Koppers Inc.	9.875	10/15/13	170,000
Lazard LLC	7.125	05/15/15	375,000
Leucadia National Corporation	7.000	08/15/13	350,000
Liberty Media Corporation	5.700	05/15/13	500,000
Lodgenet Entertainment Corporation	9.500	06/15/13	375,000
Lyondell Chemical Co.	9.500	12/15/08	265,000
M G M Mirage, Inc.	6.000	10/01/09	225,000
Mac-Gray Corporation	7.625	08/15/15	300,000
Magnachip Semiconductor	8.000	12/15/14	50,000
Majestic Star Casino LLC	9.500	10/15/10	250,000
Manitowoc Company, Inc.	7.125	11/01/13	100,000
Markwest Energy Operating Co.	6.875	11/01/14	250,000
Mediacom LLC	9.500	01/15/13	750,000
Metaldyne Corporation	10.000	11/01/13	340,000
Moog, Inc.	6.250	01/15/15	60,000
N R G Energy, Inc.	7.375	02/01/16	100,000
Nalco Co.	7.750	11/15/11	250,000

24

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

June 30, 2006  
(Unaudited)

CORPORATE PUBLIC SECURITIES (A) (CONTINUED)	Interest Rate	Due Date	Principal Amount
-----			
BONDS, CONTINUED			
National Wine & Spirits, Inc.	10.125	01/15/09	\$ 25,000
Nextel Communications, Inc.	7.375	08/01/15	400,000
North American Energy Partners	8.750	12/01/11	200,000
Nova Chemicals Corporation (C)	8.405	11/15/13	215,000
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
P Q Corporation	7.750	02/15/13	685,000
Pacific Energy Partners	7.125	06/15/14	250,000
Pacific Energy Partners	6.250	09/15/15	100,000
Pinnacle Foods Group	8.250	12/01/13	225,000
Pliant Corporation	11.625	06/15/09	607,802
Primedia, Inc.	8.000	05/15/13	500,000
Quicksilver Resources, Inc.	7.125	04/01/16	225,000
Rent-A-Center, Inc.	7.500	05/01/10	250,000
Rent-Way, Inc.	11.875	06/15/10	450,000
Rock-Tenn Co.	8.200	08/15/11	500,000
Rogers Wireless, Inc.	7.250	12/15/12	90,000
Rogers Wireless, Inc.	7.500	03/15/15	560,000
Rogers Wireless, Inc.	8.000	12/15/12	90,000
Samsonite Corporation	8.875	06/01/11	500,000
Sheridan Acquisition Corporation	10.250	08/15/11	225,000
Sierra Pacific Resources	6.750	08/15/17	330,000
Tekni-Plex, Inc.	12.750	06/15/10	500,000
Telex Communications, Inc.	11.500	10/15/08	250,000
Tenet Healthcare Corporation	6.375	12/01/11	250,000
Tenet Healthcare Corporation	9.875	07/01/14	350,000
Texas Industries, Inc.	7.250	07/15/13	35,000
Transmontaigne, Inc.	9.125	06/01/10	275,000
Triton P C S, Inc.	8.500	06/01/13	500,000
Tyco International Group SA	6.375	10/15/11	150,000
Unisys Corporation	8.000	10/15/12	90,000
United Components, Inc.	9.375	06/15/13	535,000
United Rentals, Inc.	7.750	11/15/13	325,000
Universal City Florida (C)	9.899	05/01/10	100,000
Universal City Florida	8.375	05/01/10	100,000
Utilicorp United, Inc. (C)	9.950	02/01/11	25,000
Vicorp Restaurants, Inc.	10.500	04/15/11	225,000
Vought Aircraft Industries	8.000	07/15/11	650,000
Warner Music Group	7.375	04/15/14	125,000
Wornick Co.	10.875	07/15/11	350,000

TOTAL BONDS

-----

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
June 30, 2006  
(Unaudited)

Shares or

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

CORPORATE PUBLIC SECURITIES (A) (CONTINUED)	Interest Rate	Due Date	Principal Amount
-----			
COMMON STOCK - 0.41%			
Aventine Renewable Energy (B)			200
Basin Water, Inc. (B)			1,100
Distributed Energy Systems Corporation (B)			14,000
Dyncorp International, Inc. (B)			4,000
Gmarket, Inc. (B)			200
J Crew Group, Inc. (B)			2,100
Rent-Way, Inc. (B)			46,432
Theravance, Inc. (B)			3
TOTAL COMMON STOCK			
CONVERTIBLE BONDS - 0.64%			
Citadel Broadcasting Corporation	1.875%	02/15/11	\$ 300,000
ICOS Corporation	2.000	07/01/23	375,000
Q L T, Inc.	3.000	09/15/23	305,000
TOTAL CONVERTIBLE BONDS			
TOTAL CORPORATE PUBLIC SECURITIES			

Short-Term Securities:	Interest Rate/Yield	Due Date	Principal Amount
-----			
COMMERCIAL PAPER - 7.08%			
Cadbury Schweppes Finance PLC	5.356%	07/03/06	\$ 1,569,000
Centex Corporation	5.743	07/11/06	1,380,000
DaimlerChrysler NA Holding Corporation	5.406	07/06/06	1,222,000
Dow Jones & Company, Inc.	5.408	07/10/06	535,000
General Mills, Inc.	5.406	07/07/06	2,500,000
Textron Financial Corporation	5.356	07/05/06	2,000,000
TOTAL SHORT-TERM SECURITIES			
TOTAL INVESTMENTS	105.10%		
Other Assets	5.07		
Liabilities	(10.17)		
TOTAL NET ASSETS	100.00%		
	=====		

- (A) In each of the convertible note, warrant, convertible preferred and common stock investments, agreed to provide certain registration rights.  
 (B) Non-income producing security.  
 (C) Variable rate security; rate indicated is as of 06/30/06.  
 (D) Defaulted security; interest not accrued.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

-----  
 26



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

June 30, 2006

(Unaudited)

Industry Classification:	Fair Value/ Market Value	
<b>AEROSPACE - 2.35%</b> Argo Tech Corporation Bombardier, Inc. Consolidated Foundries Holdings Dyncorp International, Inc. Esterline Technologies Vought Aircraft Industries	\$ 437,750 435,000 1,372,116 41,520 177,188 588,250 ----- 3,051,824 -----	<b>BUILDINGS &amp; REAL ESTATE - 1.00%</b> Adorn, Inc. Texas Industries, Inc. TruStile Doors, Inc.
<b>AUTOMOBILE - 8.06%</b> Gencorp, Inc. Goodyear Tire & Rubber Co. Jason, Inc. LIH Investors, L.P. Metaldyne Corporation Nyloncraft, Inc. Ontario Drive & Gear Ltd. Qualis Automotive LLC Transtar Holding Company United Components, Inc.	138,125 324,625 1,049,408 2,415,343 328,950 1,408,687 1,294,782 1,664,908 1,325,420 526,975 ----- 10,477,223 -----	<b>CHEMICAL, PLASTICS &amp; RUBBER - 1.00%</b> Huntsman LLC Koppers, Inc. Lyondell Chemical Co. Nova Chemicals Corporation P Q Corporation
<b>BEVERAGE, DRUG &amp; FOOD - 4.22%</b> Beta Brands Ltd. Cains Foods, L.P. Del Monte Corporation Dominos Pizza, Inc. Eagle Pack Pet Foods, Inc. National Wine & Spirits, Inc. Nonni's Food Company Pinnacle Foods Group River Ranch Fresh Foods LLC Specialty Foods Group, Inc. Vicorp Restaurants, Inc. Vitality Foodservice, Inc. Wornick Co.	-- 161,905 206,000 113,088 847,424 25,000 1,158,331 221,063 877,500 -- 200,250 1,324,981 352,625 ----- 5,488,167 -----	<b>CONSUMER PRODUCTS - 9.00%</b> Appleton Papers, Inc. Augusta Sportswear Holding Bravo Sports Holding Corpora Euro-Pro Corporation Flutes, Inc. G F S I, Inc. K 2, Inc. K N B Holdings Corporation Maverick Acquisition Compan Royal Baths Manufacturing C Savage Sports Holding, Inc. The Tranzonic Companies Walls Industries, Inc. Winslow Furniture, Inc.
<b>BROADCASTING &amp; ENTERTAINMENT - 2.36%</b> C S C Holdings, Inc. Cablevision Systems Corporation Charter Communications Op LLC Citadel Broadcasting Corporation Liberty Media Corporation Lodgenet Entertainment Corporation Mediacom LLC	250,000 477,000 497,500 246,000 454,066 399,375 746,250 ----- 3,070,191 -----	<b>CONTAINERS, PACKAGING &amp; GLASS - 1.00%</b> NABCO, Inc. P I I Holding Corporation Packaging Corporation of Am Paradigm Packaging, Inc. Pliant Corporation Tekni-Plex, Inc. Vitex Packaging, Inc.
		<b>DISTRIBUTION - 2.95%</b> Corvest Group, Inc. Kele and Associates, Inc. O R S Nasco Holding, Inc. QualServ Corporation Strategic Equipment & Suppl

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

-----  
 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
 June 30, 2006  
 (Unaudited)

Industry Classification: (Cont.) Fair Value/  
 Market Value  
 -----

DIVERSIFIED/CONGLOMERATE,  
 MANUFACTURING - 8.52%

AmerCable, Inc.	\$ 750,955
Arrow Tru-Line Holdings, Inc.	1,302,314
Coining Corporation of America LLC	1,105,201
Dexter Magnetics Technologies, Inc.	642,592
Douglas Dynamics LLC	308,750
Evans Consoles, Inc.	--
H M Holding Company	1,296,387
Justrite Manufacturing Acquisition Co.	814,488
Magnatech International, Inc.	1,010,980
Radiac Abrasives, Inc.	1,302,572
Rock-Tenn Co.	500,000
Truck Bodies & Equipment International	1,883,272
Tyco International Group SA	153,057
	-----
	11,070,568
	-----

DIVERSIFIED/CONGLOMERATE,  
 SERVICE - 7.58%

Abitibi-Consolidated, Inc.	458,750
Allied Waste NA	500,000
CapeSuccess LLC	2,512
Chemed Corporation	630,000
Diversco, Inc./DHI Holdings, Inc.	1,252,858
Dwyer Group, Inc.	1,487,856
Fowler Holding, Inc.	1,298,107
Gmarket, Inc.	3,074
Interline Brands, Inc.	149,625
Keystone North America, Inc.	172,376
Mac-Gray Corporation	303,000
Moss, Inc.	970,251
Service Corporation International	467,500
U S M Holdings Corporation	1,951,920
Universal City Florida	203,750
	-----
	9,851,579
	-----

ELECTRONICS - 3.00%

A E S Corporation	642,875
Arrow Electronics, Inc.	503,020
Directed Electronics, Inc.	1,797,881
Distributed Energy Systems	72,380
Electronic Data Systems Corporation	516,375
Siebe PLC	358,552
	-----
	3,891,083
	-----

FINANCIAL SERVICES - 2.79%  
 BCP Crystal US Holding Corp  
 Dollar Financial Group  
 East River Ventures I, L.P.  
 Ford Motor Credit Co.  
 General Motors Acceptance C  
 Highgate Capital LLC  
 Lazard LLC  
 Leucadia National Corporati  
 T C W Leveraged Income Trus  
 Victory Ventures LLC

HEALTHCARE, EDUCATION  
 & CHILDCARE - 4.28%  
 A T I Acquisition Company  
 American Hospice Management  
 F H S Holdings LLC  
 ICOS Corporation  
 Interactive Health LLC  
 MedAssist, Inc.  
 Q L T, Inc.  
 Tenet Healthcare Corporatio  
 Theravance, Inc.

HOME & OFFICE FURNISHINGS,  
 HOUSEWARES, AND DURABLE  
 CONSUMER PRODUCTS - 4.08%  
 Connor Sport Court Internat  
 Home Decor Holding Company  
 Monessen Holding Corporatio  
 Samsonite Corporation  
 U-Line Corporation

LEISURE, AMUSEMENT,  
 ENTERTAINMENT - 2.70%  
 IMAX Corporation  
 Inrawest Corporation  
 Keepsake Quilting, Inc.  
 M G M Mirage, Inc.  
 Majestic Star Casino LLC  
 O E D Corp/Diamond Jo Compa  
 Overton's Holding Company

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

FARMING & AGRICULTURE - 0.00%  
Protein Genetics, Inc.

Warner Music Group

--

28

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
June 30, 2006  
(Unaudited)

Industry Classification: (Cont.)	Fair Value/ Market Value	
MACHINERY - 6.78%		PHARMACEUTICALS - 1.05%
Basin Water, Inc.	\$ 11,022	CorePharma LLC
C & M Conveyor, Inc.	1,498,194	Enzymatic Therapy, Inc.
Integration Technology Systems, Inc.	711,753	
Manitowoc Company, Inc.	98,000	
Maxon Corporation	1,854,814	PUBLISHING/PRINTING - 1.19%
Safety Speed Cut Manufacturing Company, Inc.	1,253,524	Cadmus Communications Corporo
Stewart & Stevenson LLC	100,375	Houghton Mifflin Co.
Synventive Equity LLC	17,714	Primedia, Inc.
Tronair, Inc.	1,851,240	Sheridan Acquisition Corporo
Tubular Textile Machinery	1,417,550	
	8,814,186	
MEDICAL DEVICES/BIOTECH - 3.46%		RETAIL STORES - 4.67%
Beacon Medical Products, Inc.	1,508,809	Blockbuster, Inc.
Coeur, Inc.	723,478	J Crew Group, Inc.
E X C Acquisition Corporation	78,808	Neff Motivation, Inc.
MicroGroup, Inc.	1,325,770	Neiman Marcus Group, Inc.
OakRiver Technology, Inc.	864,993	Olympic Sales, Inc.
	4,501,858	Rent-A-Center, Inc.
		Rent-Way, Inc.
MINING, STEEL, IRON & NON PRECIOUS METALS - 0.04%		TVI, Inc.
U S S Holdings, Inc.	54,525	United Rentals, Inc.
OIL AND GAS - 4.80%		TECHNOLOGY - 0.16%
Aventine Renewable Energy	7,780	Magnachip Semiconductor
Basic Energy Services	116,250	Sungard Data Systems
C & J Spec-Rent Services, Inc.	2,176,402	Unisys Corporation
Chesapeake Energy Corporation	628,875	
Clayton Williams Energy, Inc.	345,000	TELECOMMUNICATIONS - 3.13%
Fuel Systems Holding Corporation	1,303,302	Cincinnati Bell, Inc.
GulfMark Offshore, Inc.	292,500	Intelsat Subsidiary Holding
North American Energy Partners	192,000	ITC^DeltaCom, Inc.
Offshore Logistics, Inc.	322,875	Nextel Communications, Inc.
Pacific Energy Partners	349,500	Rogers Wireless, Inc.
Quicksilver Resources, Inc.	210,938	Telex Communications, Inc.
Transmontaigne, Inc.	292,875	Triton P C S, Inc.
	6,238,297	

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

TRANSPORTATION - 1.05%  
Tangent Rail Corporation

-----  
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
June 30, 2006  
(Unaudited)

Industry Classification: (Cont.)	Fair Value/ Market Value
-----	
UTILITIES - 1.53%	
Atlas Pipeline Partners	\$ 99,625
Dynegy Holdings, Inc.	162,525
Edison Mission Energy	230,888
Inergy LP	75,750
Markwest Energy Operating Co.	230,000
Moog, Inc.	56,400
N R G Energy, Inc.	97,500
Nalco Co.	249,375
Petrohawk Energy Corporation	271,521
Sierra Pacific Resources	311,791
Tenaska Alabama Partners L.P.	176,199
Utilicorp United, Inc.	28,140
	-----
	1,989,714
	-----
WASTE MANAGEMENT / POLLUTION - 1.12%	
Terra Renewal Services, Inc.	1,451,647
	-----
TOTAL CORPORATE RESTRICTED AND PUBLIC SECURITIES - 98.02%	\$127,366,196
	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

-----  
30

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MASSMUTUAL PARTICIPATION INVESTORS  
(UNAUDITED)

1. HISTORY

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

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

The Trust is a diversified closed-end management investment company. Babson Capital Management LLC ("Babson Capital"), a wholly-owned indirect subsidiary of Massachusetts Mutual Life Insurance Company ("MassMutual"), acts as its investment adviser. The Trust's investment objective is to maximize total return by providing a high level of current income, the potential for growth of such income, and capital appreciation, by investing primarily in a portfolio of privately placed below investment grade, long-term corporate debt obligations purchased directly from their issuers, at least half of which normally will include equity features.

On January 27, 1998, the Board of Trustees authorized the formation of a wholly owned subsidiary of the Trust ("MMPI Subsidiary Trust") for the purpose of holding certain investments. The results of the MMPI Subsidiary Trust are consolidated in the accompanying financial statements. Footnote 2.D below discusses the federal tax consequences of the MMPI Subsidiary Trust.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed consistently by the Trust in the preparation of its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

#### A. VALUATION OF INVESTMENTS:

Valuation of a security in the Trust's portfolio is made on the basis of market price whenever market quotations are readily available and all securities of the same class held by the Trust can be readily sold in such market.

Nearly all securities which are acquired by the Trust directly from the issuers and shares into which such securities may be converted or which may be purchased on the exercise of warrants attached to such securities will be subject to legal or contractual delays in, or restrictions on, resale and will therefore be "restricted securities". Generally speaking, as contrasted with open-market sales of unrestricted securities, which may be effected immediately if the market is adequate, absent an exemption from registration, restricted securities can be sold only in a public offering for which a registration statement is in effect under the Securities Act of 1933, as amended (the "1933 Act").

The value of restricted securities, and of any other assets for which there are no reliable market quotations, is the fair value as determined in good faith by the Trust's Board of Trustees (the "Trustees"). Each restricted security is valued by the Trustees as of the time of its acquisition and at least quarterly thereafter. The Trustees have established guidelines to aid in the valuation of each security. Generally, restricted securities are initially valued at cost or less at the time of acquisition by the Trust. Values greater or less than cost are thereafter used for restricted securities in appropriate circumstances. Among the factors ordinarily considered are the existence of restrictions upon the sale of a security held by the Trust; an estimate of the existence and the extent of a market for the security; the extent of any discount at which the security was acquired; the estimated period of time during which the security will not be freely marketable; the estimated expenses of registering or otherwise qualifying the security for public sale; estimated underwriting commissions if underwriting would be required to effect a sale; in the case of a convertible security, whether or not it would trade on the basis of its stock equivalent; in the

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

case of a debt obligation which would trade independently of any equity equivalent, the current yields on comparable securities; the estimated amount of the floating supply of such securities available for purchase; the proportion of the issue held by the Trust; changes in the financial condition and prospects of the issuer; the existence of merger proposals or tender offers affecting the issuer; and any other factors affecting fair value, all in accordance with the Investment Company Act of 1940, as amended (the "1940 Act"). In making valuations, opinions of counsel may be relied upon as to whether or not securities are restricted securities and as to the legal requirements for public sale.

When market quotations are readily available for unrestricted securities of an issuer, restricted securities of the same class are generally valued at a discount from the market price of such unrestricted securities. The Trustees, however, consider all factors in fixing any discount, including the filing of a registration statement for such securities under the 1933 Act and any other developments which are likely to increase the probability that the securities may be publicly sold by the Trust without restriction.

The Trustees meet at least once each quarter to value the Trust's portfolio securities as of the close of business on the last business day of the preceding quarter. This valuation requires the approval of a majority of the Trustees of the Trust, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital, the Trust's investment adviser. In making valuations, the Trustees will consider Babson Capital's reports analyzing each portfolio security in accordance with the relevant factors referred to above. Babson Capital has agreed to provide such reports to the Trust at least quarterly.

The consolidated financial statements include private placement restricted securities valued at \$91,548,868 (70.46% of net assets) as of June 30, 2006 whose values have been determined by the Trustees in the absence of readily ascertainable

---

31

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

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 June 30, 2006, subject to discount where appropriate, and are approved by the Trustees.

Short-term securities with more than sixty days to maturity are valued at fair value and short-term securities having a maturity of sixty days or less are valued at amortized cost, which approximates market value.

#### B. ACCOUNTING FOR INVESTMENTS:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis including the amortization of premiums and accretion of discount on bonds held. The Trust does not accrue income when payment is delinquent and when management believes payment is questionable.

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

Realized gains and losses on investment transactions and unrealized appreciation and depreciation of investments are reported for financial statement and federal income tax purposes on the identified cost method.

### C. USE OF ESTIMATES:

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

### D. FEDERAL INCOME TAXES:

The Trust has elected to be taxed as a "regulated investment company" under the Internal Revenue Code, and intends to maintain this qualification, and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that Trustees either designate the net realized longterm 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. For the six months ended June 30, 2006, the MMPI Subsidiary Trust has accrued tax expense on net realized gains of \$177,888 and reduced accrued deferred tax expenses on net unrealized gains by \$59,081.

### E. DISTRIBUTIONS TO SHAREHOLDERS:

The Trust records distributions to shareholders from net investment income and net realized gains, if any, on the ex-dividend date. The Trust's net investment income dividend is declared four times per year, in April, July, October, and December. The Trust's net realized capital gain distribution, if any, is declared in December.

## 3. INVESTMENT ADVISORY AND ADMINISTRATIVE SERVICES FEE

### A. SERVICES:

Under an Investment Advisory and Administrative Services Contract (the "Contract") with the Trust, Babson Capital has agreed to use its best efforts to present to the Trust a continuing and suitable investment program

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

consistent with the investment objectives and policies of the Trust. Babson Capital represents the Trust in any negotiations with issuers, investment banking firms, securities brokers or dealers and other institutions or investors relating to the Trust's investments. Under the Contract, Babson Capital provides administration of the day-to-day operations of the Trust and provides the Trust with office space and office equipment, accounting and bookkeeping services, and necessary executive, clerical and secretarial personnel for the performance of the foregoing services.

### B. FEE:

For its services under the Contract, Babson Capital is paid a quarterly Investment Advisory fee equal to .225% of the value of the Trust's net assets as of the last business day of each fiscal quarter, an amount approximately equivalent to .90% on an annual basis. A majority of the Trustees, including a majority of the Trustees who are not interested persons of the Trust or of Babson Capital, approve the valuation of the Trust's net assets as of such day.

-----  
32

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

#### C. BASIS FOR BOARD RENEWAL OF CONTRACT:

At a meeting of the Board of Trustees of the Trust held on April 21, 2006, the Board of Trustees (including a majority of the Trustees who are not "interested persons" of the Trust or Babson Capital) unanimously approved a one year continuance of the Contract, dated October 7, 1988.

Prior to the meeting, the Board of Trustees requested and received from Ropes & Gray LLP ("Ropes & Gray"), counsel to the Trust, a memorandum describing the Board of Trustees' legal responsibilities in connection with its review and reapproval of the Contract. The Board of Trustees also requested and received from Babson Capital extensive written and oral information regarding: the principal terms of the Contract; the reasons why Babson Capital was proposing the continuance of the Contract; Babson Capital and its personnel; the Trust's investment performance, including comparative performance information; the nature and quality of the services provided by Babson Capital to the Trust; financial strength of Babson Capital; the fee arrangements; fee and expense information, including comparative fee and expense information; profitability of the advisory arrangement to Babson Capital; and "fallout" benefits to Babson Capital resulting from the Contract as well as certain possible conflicts.

Among other things, the Trustees discussed and considered with management i) the aforementioned guidance provided by Ropes & Gray and the information provided by Babson Capital prior to the meeting and (ii) the reasons Babson Capital put forth in support of its recommendation that the Trustees approve the continuance of the Contract. These reasons are summarized below.

#### NATURE, EXTENT AND QUALITY OF SERVICES TO BE PROVIDED BY BABSON CAPITAL

In evaluating the scope and quality of the services provided by Babson Capital, the Trustees considered, among other factors: (i) the scope of services required to be provided by Babson Capital under the Contract; (ii) Babson Capital's ability to find and negotiate private placement securities having equity features; (iii) the experience and quality of Babson Capital's staff; (iv) the strength of Babson Capital's financial condition; (v) the



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

nature of the private placement market compared to public markets (including the fact that finding, analyzing, negotiating and servicing private placement securities is more labor-intensive than buying and selling public securities and the administration of private placement securities is more extensive, expensive, and requires greater time and expertise than a portfolio of only public securities); (vi) the Trust's ability to co-invest in negotiated private placements with MassMutual; and (vii) the expansion of the scope of services provided by Babson Capital as a result of recent regulatory and legislative initiatives that have required increased legal, compliance and business attention and diligence. Based on such considerations, the Board of Trustees concluded that, overall, they are satisfied with the nature, extent and quality of services provided, and expected to be provided in the future, under the renewed Contract.

### INVESTMENT PERFORMANCE

The Board also examined the Trust's short-term, intermediate-term, and long-term performance as compared against appropriate benchmark indices presented at the meeting, which showed that the Trust had outperformed such indices for the 1, 3, 5, and 10-year periods. In addition, the Trustees considered comparisons of the Trust's performance with the performance of (i) selected closed-end investment companies and funds that may invest in private placement securities and/or bank loans; (ii) selected business development companies with comparable types of investments; and (iii) investment companies included in the Lipper closed-end bond universe. It was acknowledged that, while such comparisons are helpful in judging performance, they are not directly comparable in terms of types of investments and due to the fact that the business development companies often reported returns based on market value, which is affected by factors other than the performance of the underlying portfolio investments. Based on these considerations and the detailed performance information provided to the Trustees at the regular Board meetings each quarter, the Trustees concluded that the Trust's absolute and relative performance over time have been sufficient to warrant re-approval of the Contract.

### ADVISORY FEE/COST OF SERVICES PROVIDED AND PROFITABILITY/ MANAGER'S "FALL-OUT" BENEFITS

In connection with the Trustees' consideration of the advisory fee paid by the Trust to Babson Capital under the Contract, Babson Capital noted that it was unaware of any closed-end investment companies that are directly comparable to the Trust in terms of the types of investments and percentages invested in private placement securities (which require more extensive advisory and administrative services than a portfolio of publicly traded securities, as previously discussed) other than MassMutual Corporate Investors ("Corporate Investors"), which also is advised by Babson Capital. Under the terms of a new investment services contract, effective October 1, 2005, Corporate Investors is charged a quarterly investment advisory fee of 0.3125% of net asset value as of the end of each quarter, which is approximately equal to 1.25% annually, with no performance adjustment. The new Corporate Investors' contract provides that for its first eighteen months, the investment advisory fee cannot exceed the amount that Corporate Investors would have paid under its prior contract. Under the prior contract Corporate Investors paid Babson Capital a quarterly advisory fee equal to 5/16 of 1% of Corporate Investors' NAV (an amount equivalent to 1.25% on an annual basis) subject to a quarterly performance adjustment of 1/16 of 1% (approximately equal to .25% on an annual basis). In considering the fee rate provided in the Contract, the Trustees noted the Trust's different investment objectives between the Trust and Corporate Investors and the advisory fee charged by Tower Square Capital Partners, L.P and Tower Square Capital Partners II, L.P., both private mez-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MASSMUTUAL PARTICIPATION INVESTORS  
(CONTINUED)

zanine funds managed by Babson Capital. At the request of the Trustees, Babson Capital also provided information concerning the profitability of Babson Capital's advisory relationship with the Trust. The Board also considered the non-economic benefits Babson Capital and its affiliates derived from its relationship with the Trust, including the reputational benefits derived from having the Trust listed on the New York Stock Exchange, and the de minimis amount of commissions resulting from the Trust's portfolio transactions used by Babson Capital for third-party soft dollar arrangements (less than \$1,000). The Trustees recognized that Babson Capital should be entitled to earn a reasonable level of profit for services provided to the Trust and, based on their review, concluded that they were satisfied that Babson Capital's historical level of profitability from its relationship with the Trust was not excessive and that the advisory fee structure under the Contract is reasonable.

## ECONOMIES OF SCALE

The Trustees considered the concept of economies of scale and possible advisory fee reductions if the Trust were to grow in assets. Given that the Trust is not continuously offering shares, such growth comes principally from retained net realized gain on investments and dividend reinvestment. The Trustees also examined the scale down features of selected competitive funds and noted that the minimum starting point for fee reductions in those funds was at least \$200 million whereas the Trust's current net assets are near \$100 million. The Trustees concluded that the absence of breakpoints in the fee schedule under the Contract was acceptable given the Trust's size and circumstances.

## 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 six months ended June 30, 2006, the Trust incurred total interest expense on the Note of \$348,000.

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

## B. REVOLVING CREDIT AGREEMENT:

The Trust entered into a \$15,000,000 Revolving Credit Agreement with Bank of America (formerly Fleet National Bank) (the "Agent Bank") dated May 29, 1997,

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

which had a stated maturity date of May 31, 2004. The maturity date of this loan was extended to May 31, 2007, and its terms amended and restated pursuant to the First Amended and Restated Revolving Credit Agreement (the "Revolver") dated May 27, 2004, between the Trust and the Agent Bank.

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

As of June 30, 2006, there were no outstanding loans against the Revolver. For the six months ended June 30, 2006, the Trust incurred expense on the Revolver of \$18,596 related to the undrawn portion.

### 5. PURCHASES AND SALES OF INVESTMENTS

	FOR THE SIX MONTHS ENDED 6/30/2006	
	COST OF INVESTMENTS ACQUIRED	PROCEEDS FROM SALES OR MATURITIES
Corporate restricted securities	\$ 20,860,404	\$ 12,085,858
Corporate public securities	1,991,276	9,298,255

The aggregate cost of investments is substantially the same for financial reporting and federal income tax purposes as of June 30, 2006. The net unrealized appreciation of investments for financial reporting and federal tax purposes as of June 30, 2006 is \$753,647 and consists of \$12,313,037 appreciation and \$11,559,390 depreciation.

Net unrealized appreciation of investments on the Statement of Assets and Liabilities reflects the balance net of a deferred tax accrual of \$116,333 on net unrealized gains in the MMPI Subsidiary Trust.

-----  
34

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS      MASSMUTUAL PARTICIPATION INVESTORS  
(CONTINUED)

### 6. QUARTERLY RESULTS OF INVESTMENT OPERATIONS

	MARCH 31, 2006	
	AMOUNT	PER SHARE
Investment income	\$ 3,229,245	
Net investment income	\$ 2,668,897	\$ 0.27
Net realized and unrealized gain on investments (net of taxes)	\$ 3,988,640	\$ 0.41
	JUNE 30, 2006	
	AMOUNT	PER SHARE

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

Investment income	\$ 3,094,537	
Net investment income	\$ 2,530,332	\$ 0.26
Net realized and unrealized gain on investments (net of taxes)	\$ 3,610,163	\$ 0.37

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

For the six months ended June 30, 2006, the Trust paid its Trustees aggregate remuneration of \$57,375. During the period the Trust did not pay any compensation to any of its Trustees who are "interested persons" (as defined by the 1940 Act) of the Trust. The Trust currently classifies Messrs. Crandall 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.

Mr. Crandall, one of the Trust's Trustees was an "affiliated person" (as defined by the 1940 Act) of MassMutual and Babson Capital. The Trust did not make any payments to Babson Capital for the six months ended June 30, 2006, other than amounts payable to Babson Capital pursuant to the Contract. For the six months ended June 30, 2006, the Trust paid the following amounts to MassMutual, exclusive of interest expense on the Note explained in Footnote 4.A:

Preparation of the Trust's Quarterly and Annual Reports to Shareholders	\$ 7,078
Preparation of Certain of the Trust's Shareholder Communications	208
Preparation of the Trust's Annual Proxy Statements	241
	-----
	\$ 7,527
	=====

### 8. RESULTS OF SHAREHOLDER MEETING

The Annual Meeting of Shareholders was held on Friday, April 21, 2006. The Shareholders voted to elect Roger W. Crandall and Martin T. Hart as trustees, each for a three-year term. The Trust's other trustees (Donald E. Benson, Michael H. Brown, Donald Glickman, Robert E. Joyal, Jack A. Laughery and Corine T. Norgaard) continued to serve their respective terms following the April 21, 2006 Annual Shareholders Meeting. The results of the Shareholders' votes are set forth below.

	TRUSTEE	
	ROGER W. CRANDALL	MARTIN T. HART
	-----	-----
Shares for	8,497,142	8,507,659
Withheld	163,267	152,750
Total	8,660,409	8,660,409
% of Shares Voted for	98.11%	98.24%

### 9. SUBSEQUENT EVENT

At the Board of Trustees' July 18, 2006 quarterly meeting, the Board voted to

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

expand the Board from eight to nine Trustees and appointed William J. Barrett as a Trustee for a three-year term of office.

-----  
35

THIS PAGE INTENTIONALLY LEFT BLANK.

TRUSTEES	OFFICERS	
William J. Barrett	Roger W. Crandall	Chairman
Donald E. Benson*	Clifford M. Noreen	President
Michael H. Brown	James M. Roy	Vice President & Chief Financial Officer
Roger W. Crandall	Rodney J. Dillman	Vice President & Secretary
Donald Glickman	Jill A. Fricchione	Vice President
Martin T. Hart*	Michael P. Hermsen	Vice President
Robert E. Joyal	Mary Wilson Kibbe	Vice President
Jack A. Laughery	Michael L. Klofas	Vice President
Corine T. Norgaard*	Richard E. Spencer, II	Vice President
	Ronald S. Talaia	Treasurer
	John T. Davitt, Jr.	Comptroller
	Melissa M. LaGrant	Chief Compliance Officer

\*MEMBER OF THE AUDIT COMMITTEE

-----

### DIVIDEND REINVESTMENT AND SHARE 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

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

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.

[LOGO]      MASSMUTUAL  
                 PARTICIPATION INVESTORS

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

DB1040 806

ITEM 2. CODE OF ETHICS.

Not applicable for this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable for this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable for this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable for this filing.

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.

Not applicable for this filing.

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

Not applicable for this filing. There have been no changes in any of the Portfolio Managers identified in the Registrant's most recent annual report on Form N-CSR.

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.

Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

ITEM 11. CONTROLS AND PROCEDURES.

- (a) The principal executive officer and principal financial officer of the Registrant evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as of a date within 90 days of the filing date of this report and based on that evaluation have concluded that such disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.
- (b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) during the Registrant's second fiscal quarter 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 30a-2(b) UNDER THE ACT.

Attached hereto as EX-99.32

SIGNATURES

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

(Registrant): MassMutual Participation Investors  
-----  
By: /s/ Clifford M Noreen  
-----  
Clifford M Noreen, President



Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-CSRS

Date: September 5, 2006

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

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

Date: September 5, 2006

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

Date: September 5, 2006