

MASSMUTUAL PARTICIPATION INVESTORS

Form DEF 14A

February 28, 2005

SCHEDULE 14A  
Information Required in Proxy Statement

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
(Amendment No.\_\_\_\_)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ] Confidential, for Use of the Commission Only (as permitted by Rule  
14a-6(e)(2))

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to ss.240.14a-11(c) or ss.240.14a-12

MassMutual Participation Investors

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed  
pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the  
filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

MASSMUTUAL PARTICIPATION INVESTORS  
SPRINGFIELD, MASSACHUSETTS 01115

[LOGO]

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NOTICE OF ANNUAL MEETING  
OF SHAREHOLDERS  
AND  
PROXY STATEMENT

TIME  
FRIDAY, APRIL 22, 2005  
AT 1:00 P.M.

PLACE  
OAK ROOM  
MASSACHUSETTS MUTUAL  
LIFE INSURANCE COMPANY  
1295 STATE STREET  
SPRINGFIELD, MASSACHUSETTS 01111

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Please date, fill in and sign the enclosed proxy card and mail it in  
the enclosed return envelope which requires no postage if mailed in  
the United States.  
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MASSMUTUAL PARTICIPATION INVESTORS  
Springfield, Massachusetts

Dear Shareholder:

The 2005 Annual Meeting of Shareholders of MassMutual Participation Investors (the "Trust") will be held in the Oak Room of Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, Massachusetts 01111, at 1:00 p.m., Eastern Time, on Friday, April 22, 2005. A Notice and a Proxy Statement regarding the meeting, a proxy card for your vote at the meeting and a postage prepaid envelope in which to return your proxy card are enclosed.

BY PROMPTLY RETURNING THE ENCLOSED PROXY CARD YOU CAN HELP THE TRUST AVOID THE EXPENSE OF SENDING FOLLOW-UP LETTERS TO OBTAIN THE ATTENDANCE OF A MAJORITY OF THE OUTSTANDING SHARES. You are earnestly requested to sign and return the proxy card in order that the necessary quorum may be represented at the meeting. If you later find that you can be present in person, you may, if you wish, revoke your proxy then and vote your shares in person.

At the meeting, shareholders will be asked to re-elect three Trustees. The Board of Trustees and the Nominating Committee of the Board of Trustees recommend that shareholders elect the nominated Trustees.

I look forward to your attendance at this meeting because it will provide us with an opportunity to inform you about the progress of the Trust.

Sincerely,

/s/ Stuart H. Reese

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Stuart H. Reese  
Chairman

MASSMUTUAL PARTICIPATION INVESTORS

Notice of Annual Meeting of Shareholders

TO THE SHAREHOLDERS OF  
MASSMUTUAL PARTICIPATION INVESTORS:

The Annual Meeting of Shareholders of MassMutual Participation Investors (the "Trust") will be held in the Oak Room of Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, Massachusetts 01111, on Friday, April 22, 2005, at 1:00 p.m., Eastern Time, for the following purposes:

(1) to re-elect Steven A. Kandarian, Jack A. Laughery and Corine T. Norgaard as Trustees for three-year terms, and until their respective successors are duly elected and qualified; and

(2) to transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Holders of record of the shares of beneficial interest of the Trust at the close of business on February 22, 2005, are entitled to vote at the meeting or any adjournment thereof.

By order of the  
Board of Trustees,

/s/ Stephen L. Kuhn

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Stephen L. Kuhn  
VICE PRESIDENT AND SECRETARY

Springfield, Massachusetts  
March 1, 2005

PROXY STATEMENT  
GENERAL

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Trustees of MassMutual Participation Investors (the "Trust") for use at the Annual Meeting of its Shareholders, to be held in the Oak Room of Massachusetts Mutual Life Insurance Company ("MassMutual"), 1295 State Street, Springfield, Massachusetts 01111, on Friday, April 22, 2005, at 1:00 p.m., Eastern time.

Any person giving a proxy has power to revoke it by mail or in person at any time prior to its exercise by executing a superseding proxy or by submitting a notice of revocation to the Trust. All properly executed and unrevoked proxies received in time for the meeting will be voted in accordance with the instructions contained therein.

Holders of the shares of beneficial interest of the Trust ("shares") of record at the close of business on February 22, 2005 will be entitled to one vote per share on all business of the meeting and any adjournments. There were

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9,696,389 shares outstanding on the record date. To the best knowledge of the Trust, MassMutual is the only beneficial owner of more than 5% of the outstanding shares of the Trust. MassMutual may be deemed a beneficial owner of more than 5% of the outstanding shares of the Trust by reason of its owning a \$12,000,000 Senior Fixed Rate Convertible Note due December 13, 2011 (the "Note") issued by the Trust. MassMutual, at its option, can convert the principal amount of the Note into shares. The dollar amount of principal would be converted into an equivalent dollar amount of shares based upon the average price of the shares for ten business days prior to the notice of conversion.

This Proxy Statement and the accompanying letter to shareholders from the Chairman of the Board of Trustees, Notice of Annual Meeting of Shareholders and proxy card are being mailed on or about March 1, 2005, to shareholders of record on February 22, 2005, the record date. The Trust's principal business office is MassMutual Participation Investors, c/o Babson Capital Management LLC ("Babson"), 1500 Main Street, Suite 600, Springfield, Massachusetts 01115.

Pursuant to the Trust's By-Laws, the presence at the Annual Meeting, in person or by proxy, of shareholders entitled to cast a majority of the votes shall be a quorum for the transaction of business. A plurality of votes cast is required to elect Trustees. Thus, the three nominees for Trustees at the Annual Meeting who receive the greatest number of votes properly cast for the election of trustees shall be elected Trustees.

Votes cast by proxy or in person at the Annual Meeting will be counted by persons appointed by the Trust to act as election inspectors for the meeting. The election inspectors will count the total number of votes cast "for" approval of the proposals for purposes of determining whether sufficient affirmative votes have been cast. The election inspectors will count shares represented by proxies that withhold authority to vote for a nominee for election as a Trustee or that reflect abstentions or "broker non-votes" (i.e., shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or the persons entitled

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to vote and (ii) the broker or nominee does not exercise the discretionary voting power on a particular matter) as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum. With respect to the election of Trustees, abstentions and broker non-votes have no effect on the outcome of the proposal so long as a quorum is present.

### (1) ELECTION OF TRUSTEES

The Board of Trustees is currently comprised of eight Trustees with terms expiring in 2005, 2006 and 2007. The terms of Steven A. Kandarian, Jack A. Laughery and Corine T. Norgaard expire this year. The Trust's Nominating Committee nominated Mr. Kandarian, Mr. Laughery and Ms. Norgaard (who are independent Trustees) for re-election to the Board of Trustees, each for a three-year term. All nominees, if elected, are to serve their respective terms, and until each of their successors is duly elected and qualified.

### INFORMATION CONCERNING TRUSTEES, NOMINEES FOR TRUSTEE AND OFFICERS OF THE TRUST

Set forth below after the name of each nominee for Trustee, and for each Trustee whose term will continue after this meeting, is his or her present office with the Trust; age; term of office and length of such term served; principal occupation during the past five years; certain other of the Trustees' directorships; and certain other information required to be disclosed in this Proxy Statement. Also, set forth below is a list of the Trust's Executive Officers, with his or her position with the Trust, principal occupation or

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employment for the past five years and term of office and length of such term served.

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INTERESTED TRUSTEES

Name (Age) Address	Position with the Fund	Office Term/ Length of Time Served	Principal Occupation(s) During Past 5 Years	Portfolio Overseen Fund Complex
Stuart H. Reese* (49) MassMutual Life Ins. Co. 1295 State Street Springfield, MA 01111	Trustee Chairman (since 1999)	3 years/1 year, 10 months 1 year/7 months	Executive Vice President and Chief Investment Officer (since 1999) of MassMutual; Chairman and Chief Executive Officer (since 2000), Director (2000-2004), Member of the Board of Managers (since 2004), and President (2000- 2001 and 2003-2005) of Babson; Chief Executive Director (1997-1999), Senior Vice President (1993-1997) of MassMutual.	41

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

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INTERESTED TRUSTEES

Name (Age) Address	Position with the Fund	Office Term/ Length of Time Served	Principal Occupation(s) During Past 5 Years	Portfolio Overseen Fund Complexity
Robert E. Joyal** (60)  MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Trustee (since 2003)	3 years/10 months	President (2001-2003), Managing Director (2000-2001) and Executive Director (1999-2000) of Babson; Executive Director (1997-1999) of MassMutual.	41

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

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INDEPENDENT TRUSTEES

Name (Age) Address	Position with the Fund	Office Term/ Length of Time Served	Principal Occupation(s) During Past 5 Years	Portfolio Overseen Fund Complex
Steven A. Kandarian (52)  MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115  NOMINEE FOR TRUSTEE	Trustee (since 2002)	3 years/2 years, 10 months	Consultant, financial services (since 2004); Former Executive Director (2001-2004), Pension Benefit Guaranty Corp., (a Federal pension agency); Managing Director (1993-2001), Orion Partners, L.P. (a private equity fund).	22

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INDEPENDENT TRUSTEES

Name (Age) Address	Position with the Fund	Office Term/ Length of Time Served	Principal Occupation(s) During Past 5 Years	Portfolio Overseen Fund Complex
Jack A. Laughery (70)  MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Trustee (since 1996)	3 years/2 years, 10 months	President and Partner (since 1996), Laughery Investments.	2

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NOMINEE FOR TRUSTEE

Corine T. Norgaard (67) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Trustee (since 1998)	3 years/2 years, 10 months	President, (since 2004), Thompson Enterprises Real Estate Investment; Dean (1996-2004), Barney School of Business, University of Hartford.	22
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NOMINEE FOR TRUSTEE

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INDEPENDENT TRUSTEES

Name (Age) Address	Position with the Fund	Office Term/ Length of Time Served	Principal Occupation(s) During Past 5 Years	Portfolio Overseen Fund Complex
Donald E. Benson* (74) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Trustee (since 1988)	3 years/10 months	Executive Vice President and Director (since 1992), Marquette Financial Companies (financial services); Partner (since 1996), Benson Family Limited Partnership No. 1 and Benson Family Limited Partnership No. 2 (investment partnerships); Partner (1987-2004), Benson, Pinckney, Oates Partnership (building partnership).	2
Donald Glickman (71) MassMutual Participation Investors 1500 Main Street	Trustee (since 1992)	3 years/10 months	Chairman (since 1992), Donald Glickman and Company, Inc. (investment banking); Partner (since 1992), J.F.	2



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Suite 600  
Springfield, MA 01115

Lehman & Co. (private  
investments).

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\*Mr. Benson has a beneficial ownership interest in the Benson Family Limited Partnership No. 2, w  
value) of MassMutual High Yield Partners II LLC and 1.80% (\$1,056,608 in value) of Corporate Valu  
investment fund that may be deemed to be controlled by MassMutual.

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INDEPENDENT TRUSTEES

Name (Age) Address	Position with the Fund	Office Term/ Length of Time Served	Principal Occupation(s) During Past 5 Years	Portfolio Overseen Fund Complex
Martin T. Hart* (69)  MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Trustee (since 1991)	3 years/1 year, 10 months	Private Investor; President and Director (since 1983), H Corporation.	2

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\*Mr. Hart owns 0.878% (\$1,002,560 in value) of MassMutual High Yield Partners II LLC and 0.90% (\$  
Corporate Value Partners Limited, each an investment fund that may be deemed to be controlled by

OFFICERS OF THE TRUST

Name (Age) Address	Position with the Fund	Office Term/ Length of Time Served	Princ Occupation (Past 5
Roger W. Crandall (40) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	President	1 year/7 months	President (since 2003) and Vice P Vice Chairman (since 2005), Direc Board of Managers (since 2004), a of Babson; Managing Director (199 President (since 2003), MMCI Subs Trust; President (since 2003), Vi MassMutual Corporate Investors.
Clifford M. Noreen (47) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Vice President	1 year/7 months	Vice President (since 1993) of th 2000) of Babson; Managing Directo President (since 1993), MassMutua
Stephen L. Kuhn (58) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Vice President and Secretary	1 year/7 months	Vice President and Secretary (sin Counsel and Clerk (since 2000) of (since 1999), Deputy General Coun Secretary (since 1996) of MassMut Subsidiary Trust and MMPI Subsidi 1989) and Secretary (since 1980)

OFFICERS OF THE TRUST

Name (Age)	Position with the	Office Term/ Length of	Princ Occupation (
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Address	Fund	Time Served	Past 5
Charles C. McCobb, Jr. (61) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Vice President and Chief Financial Officer	1 year/7 months	Chief Financial Officer (since 1997) of the Trust; Managing Director (since 1997-1999) of MassMutual Trust and MMPI Subsidiary Trust; Treasurer and Chief Financial Officer (since 1998) and Vice-President (since 1998) of MassMutual Participation Investors.
John T. Davitt, Jr. (37) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Comptroller	1 year/7 months	Comptroller (since 2001) of the Trust; Babson; Associate Director (since 1997-2001), MassMutual Corporation.
James M. Roy (42) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Treasurer	1 year/7 months	Treasurer (since 2003) and Associate Treasurer (since 2000) of the Trust; Director (since 2000) of Babson (1996-1999) of MassMutual; Controlling Director (since 1996-1999) of MassMutual Trust and MMPI Subsidiary Trust; Associate Treasurer (1999-2003), Babson.
Mary Ellen Wesneski (54) MassMutual Participation Investors 1500 Main Street Suite 600 Springfield, MA 01115	Chief Compliance Officer	1 year/7 months	Chief Compliance Officer (since 2004) of the Trust; Director and Compliance Director (since 2004) of Babson; Compliance Officer (since 2004) of MassMutual Corporation.

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SHARE OWNERSHIP OF TRUSTEES, NOMINEES AND EXECUTIVE OFFICERS

Set forth below is information concerning beneficial ownership, as of December 31, 2004, of the Trust's shares by each Trustee, nominee for Trustee, by the President and by the Trust's Trustees, nominees for Trustee and Executive Officers as a group.

BENEFICIAL OWNERSHIP OF TRUST SHARES  
DECEMBER 31, 2004\*

NAME OF INDIVIDUAL OR GROUP	SHARES BENEFICIALLY OWNED*	PERCENTAGE OF OUTSTANDING SHARES OWNED
D. Benson	8,974	**
D. Glickman	2,540	**
M. Hart	44,438	0.46%
R. Joyal	17,256	0.18%
S. Kandarian	5,102	**
J. Laughery	6,333+	**

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C. Norgaard	1,011++	**
S. Reese	11,827	0.12%
R. Crandall	800+++	**

All Trustees, Nominees  
and Executive Officers  
as a Group

	98,891	1.02%
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\*This information, not being within the knowledge of the Trust, has been furnished by each nominee, Trustee and executive officer as of December 31, 2004. Beneficial ownership is as defined under Section 13(d) of the Securities Exchange Act of 1934, as amended. Except as otherwise indicated by footnote, the persons named in the table have sole voting and investment power with respect to all of the shares beneficially owned by them. Fractional shares not reported.

\*\*Less than one-tenth of one percent not listed

+Includes 3333 shares owned by Mr. Laughery's wife with respect to which he disclaims beneficial ownership.

++Ms. Norgaard has shared voting and investment power with respect to the shares listed in the table above.

+++Mr. Crandall has shared voting and investment power with respect to the shares listed in the table above.

The table below sets forth information regarding the beneficial ownership of the Trust's shares by each Trustee and Nominee based on the market value of such shares as of December 31, 2004.

### DOLLAR RANGES OF SHARES OWNED BY TRUSTEES AND NOMINEES FOR TRUSTEE

NAME OF NOMINEE/ TRUSTEE	DOLLAR RANGE OF SHARES IN THE TRUST	AGGREGATE DOLLAR RANGE OF SHARES IN THE FAMILY INVESTMENT COMPANIES
D. Benson	Over \$100,000	Over \$100,000
D. Glickman	\$10,001-\$50,000	Over \$100,000
M. Hart	Over \$100,000	Over \$100,000
R. Joyal	Over \$100,000	Over \$100,000
S. Kandarian	\$50,001-\$100,000	Over \$100,000
J. Laughery	\$50,001-\$100,000	Over \$100,000
C. Norgaard	\$10,001-\$50,000	\$10,001-\$50,000
S. Reese	Over \$100,000	Over \$100,000

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### INFORMATION CONCERNING COMMITTEES AND MEETINGS OF THE BOARD OF TRUSTEES

The Board of Trustees has an Audit Committee, a Joint Transactions Committee and a Nominating Committee.

The Audit Committee is comprised exclusively of Trustees who are not "interested persons" of the Trust and operates pursuant to a written Audit Committee Charter, which is available on the Trust's website, [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv). The present members of the Audit Committee are Donald E. Benson (Chairman), Martin T. Hart and Corine T. Norgaard. Each member of the Audit Committee qualifies as an "independent" Trustee under the current listing standards of the New York Stock Exchange (the "Listing Standards") and the rules of the U.S. Securities and Exchange Commission ("SEC"). In accordance with the

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SEC's rules implementing Section 407 of the Sarbanes-Oxley Act of 2002, and upon due consideration of the qualifications of each member of the Trust's Audit Committee at the July 18, 2003 meeting of the Trust's Board of Trustees, the Board designated Mr. Benson as the Trust's Audit Committee Financial Expert.

In accordance with the standards set forth in the Audit Committee Charter, the Audit Committee is responsible for: financial statement and disclosure oversight matters; matters related to the hiring, retention and oversight of the Trust's independent accountants; certain legal and compliance oversight matters; and certain other matters as set forth in the Charter. The Audit Committee also supervises investigations into matters relating to audit function and performs other duties as required by applicable law or regulation. During the twelve months ended December 31, 2004, the Audit Committee held six meetings.

The Joint Transactions Committee is comprised of all of the Trust's Trustees who are not "interested persons" of the Trust. This Committee reviews certain joint investment transactions between the Trust and MassMutual. This Committee acts primarily by written consent (eighteen consents were executed by Committee members, approving twenty-nine investments during the past fiscal year). The Committee also met informally four times during the year in conjunction with the quarterly meetings of the Trust's Board of Trustees.

The Trust's Nominating Committee currently is comprised of the following Trustees: Donald E. Benson, Donald Glickman, Martin T. Hart, Jack A. Laughery (Chairman), Steven A. Kandarian, and Corine T. Norgaard, none of whom is an "interested person" of the Trust, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the "1940 Act"). A current copy of the Nominating Committee's Charter can be found on the Trust's website, [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv). This Committee did not meet during fiscal year 2004.

The Nominating Committee is responsible for identifying and nominating individuals to serve as Trustees who are not "interested persons" of the Trust ("independent Trustees"). The Nominating Committee Charter contemplates that all nominees for independent Trustees have a college degree or, in the judgment of the

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Committee, equivalent business experience. In addition, the Committee may take into account a wide variety of factors in considering Trustee candidates, giving such weight to any individual factor(s) as it deems appropriate, including but not limited to: availability and commitment of a candidate to attend meetings and perform his or her responsibilities on the Board; relevant industry and related experience; educational background; depth and breadth of financial expertise; an assessment of the candidate's ability, judgment, expertise, reputation and integrity. In the case of a shareholder recommended candidate, the Committee may also consider any other facts and circumstances attendant to such shareholder submission as may be deemed appropriate by the Committee. Different factors may assume greater or lesser significance at particular times, in light of the Board's present composition and the Committee's (or the Board's) perceptions about future issues and needs.

When the Board has or expects to have a vacancy for an independent Trustee, the Nominating Committee will consider candidates recommended by the Trust's current Trustees; the Trust's officers; the Trust's investment adviser; the Trust's shareholders; and any other source the Committee deems to be appropriate. Shareholders' recommendations to fill vacancies on the Board for independent Trustees must be submitted in accordance with the provisions of the Nominating Committee Charter, which requires that shareholder recommendations be timely received, and contain biographical and other necessary information regarding the candidate that would be required for the Trust to meet its

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disclosure obligations under the proxy rules. The Nominating Committee will evaluate nominee candidates properly submitted by shareholders in the same manner as it evaluates candidates recommended by other sources.

During the past fiscal year, the Board of Trustees held six regular meetings (two of which were held by means of a telephone conference call).

### TRANSACTIONS WITH AND REMUNERATION OF OFFICERS AND TRUSTEES

Pursuant to the Investment Advisory and Administrative Services Contract between the Trust and Babson (the "Contract"), Babson paid (and will continue to pay) the compensation and expenses of the Trust's officers and of all Trustees of the Trust who were officers or employees of Babson, with the exception of Messrs. Reese, Kuhn and Deitelbaum, whose compensation and expenses were paid (and will continue to be paid) by MassMutual.

Trustees who are not officers or employees of MassMutual or Babson receive fees of \$1,250 for each Trustees' meeting (\$625 for each meeting conducted by telephone conference call) which they attend and annual Trustees' fees of \$8,000. Members of the Audit Committee and Nominating Committee receive an additional fee of \$1,000 per meeting attended, including meetings conducted by telephone. Pursuant to a deferred compensation plan, Trustees may defer receipt of their fees until their retirement from the Board or some other time at their election. The aggregate direct remuneration of these Trustees and reimbursement of their out-of-pocket expenses paid by the Trust during the fiscal year ended December 31, 2004 was \$109,984.

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The following table discloses the compensation paid to the Trust's independent Trustees (not including reimbursement for out-of-pocket expenses) for the fiscal year ended December 31, 2004. Each of the independent Trustees also serves as a Trustee of one other closed-end investment company, MassMutual Corporate Investors, managed by Babson. Mr. Kandarian and Ms. Norgaard also serve as a Trustee of an open-end investment company, MassMutual Premier Funds, managed by MassMutual, the ultimate parent of Babson. (The Trust, MassMutual Corporate Investors and MassMutual Premier Funds, are collectively referred to in the table below as the "Fund Complex"). The Trustees do not receive pension or retirement benefits.

NAME OF TRUSTEE -----	AGGREGATE COMPENSATION FROM THE TRUST -----	TOTAL COMPENSATION FROM FUND COMPLEX -----
Donald E. Benson	\$ 20,250	\$ 48,250
Donald Glickman	14,250	36,250
Martin T. Hart	20,250	48,250
Jack A. Laughery	14,250	36,250
Corine T. Norgaard	20,250	57,583
Steven A. Kandarian	11,857	54,643
	-----	-----
Total	\$101,107 =====	\$281,226 =====

### AUDIT COMMITTEE REPORT

The Audit Committee oversees the Trust's financial reporting process on behalf of the Board of Trustees and operates under a written Charter adopted by the Board of Trustees. The Audit Committee meets with the Trust's management

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("Management") and independent public accountants and reports the results of its activities to the Board of Trustees. Management has the primary responsibility for the financial statements and the reporting process including the system of internal controls. In connection with the Committee's and independent accountant's responsibilities, Management advised that the Trust's financial statements were prepared in conformity with generally accepted accounting principles. Accordingly, the Audit Committee has:

- o Reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2004 with Management and KPMG LLP, the Trust's independent public accountant;
- o Discussed with KPMG LLP those matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards); and

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- o Received the written disclosure and the letter from KPMG LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with KPMG LLP its independence.

The Audit Committee has also reviewed the aggregate fees billed for professional services rendered by KPMG LLP for 2004 and by Deloitte & Touche LLP for 2003 for the Trust and for the non-audit services provided to Babson, and Babson's parent, MassMutual. As part of this review, the Audit Committee considered whether the provision of such non-audit services were compatible with maintaining the principal accountant's independence.

In reliance on the reviews and discussions referred to above, the Audit Committee presents this Report to the Trust's Board of Trustees and recommends that the Board of Trustees (1) include the December 31, 2004 audited financial statements in the Annual Report to shareholders for the fiscal year ended December 31, 2004, and (2) file such Annual Report with the Securities and Exchange Commission and the New York Stock Exchange.

The Audit Committee appointed the firm of KPMG LLP as the Trust's auditors of the Trust for the fiscal year ending December 31, 2005, and, in connection therewith, KPMG LLP will prepare all of the Trust's tax returns for the fiscal year ending December 31, 2005.

SUBMITTED BY THE AUDIT COMMITTEE OF THE  
BOARD OF TRUSTEES

DONALD E. BENSON, Audit Committee Chair  
MARTIN T. HART, Audit Committee Member  
CORINE T. NORGAARD, Audit Committee Member

February 7, 2005

The Board of Trustees reviewed this Report and approved the audited financial statements for publication in the Trust's Annual Report.

THE TRUST'S INDEPENDENT AUDITORS

KPMG LLP ("KPMG") audited the financial statements of the Trust, Babson and MassMutual for the fiscal year ended December 31, 2004. KPMG's audit report for the Trust contained no qualifications or modifications. A KPMG representative is expected to be present at the forthcoming Annual Meeting. This representative shall have the opportunity to make a statement if he or she desires to do so, and it is expected that such representative will be available to respond to

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appropriate questions from shareholders. As noted above, KPMG will audit the Trust's 2005 financial statements and prepare the Trust's 2005 tax return.

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### FEES PAID TO INDEPENDENT AUDITORS (1) Fees Billed to the Trust

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

### (2) Non-Audit Fees Billed to Babson and MassMutual

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

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

The category "Audit Related Fees" reflects fees billed by KPMG or D&T for services related to the audit and other assurance services performed in connection with the audit engagements of the Trust, Babson and MassMutual. Preparation of Federal, state and local income tax and compliance work are representative of the fees billed in the "Tax Fees" category. The category "All Other Fees" represents fees billed by KPMG or D&T for various non-audit and non-tax services rendered to Babson and MassMutual, such as SAS 70 review, agreed upon procedures reports, and tax consulting. The Sarbanes-Oxley Act of 2002 and its implementing regulations allows the Trust's Audit Committee to establish a pre-approval policy for certain services rendered by the Trust's independent accountants. During 2004, the Trust's Audit Committee approved all of the services rendered to the Trust by KPMG and did not rely on such a pre-approval policy for any such services.

The 2003 fees billed represent final 2003 amounts, which may differ from the preliminary figures available as of the publication date of the Trust's 2004 Proxy Statement and includes, among other things, fees for services that may not have been billed as of the publication date of the Trust's 2004 Proxy Statement,



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but are now properly included in the 2003 fees billed to the Trust, Babson and MassMutual.

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During 2003, the Trust, Babson and MassMutual solicited proposals for their independent audit and tax engagements from the four nationally recognized public accounting firms (including D&T and KPMG). The Trust's Audit Committee and its Board of Trustees determined that, based on KPMG's more favorable fee structure, engaging KPMG was in the best interests of the Trust. Effective January 1, 2004, and for the fiscal year ended December 31, 2004, the Trust's Audit Committee and Board of Trustees appointed KPMG as the Trust's independent auditors replacing D&T. Babson and MassMutual also engaged KPMG to perform certain audit, tax and other services for them.

During 2002 and 2003, the Trust had no disagreements with D&T concerning any matter of accounting principles or practices, financial statement disclosure or auditing scope and procedure and D&T never advised the Trust that: (1) the Trust's internal controls were unreliable; (2) the representations of the Trust's management were unreliable or that D&T was unwilling to be associated with the financial statements prepared by the Trust's management; (3) D&T needed to expand significantly the scope of its audits (and D&T never, in fact, so expanded such audit scope); (4) D&T became aware of any information that materially impacted the fairness or reliability of either a previously issued audit report or such report's underlying financial statements or that caused D&T to cease reliance on the assertions of the Trust's management related to such financial statements; and (5) an issue existed related to any of D&T's audit reports or their underlying financial statements were resolved other than to the satisfaction of D&T.

### (2) OTHER BUSINESS

The Board of Trustees knows of no business to be brought before the meeting other than as set forth above. If, however, any other matters properly come before the meeting, it is the intention of the persons named in the enclosed proxy card to vote proxies on such matters in accordance with their best judgment.

### INVESTMENT ADVISER

Babson provides investment management and certain administrative services to the Trust pursuant to the Contract.

Babson, an SEC registered investment adviser since 1940, currently has over \$89 billion in assets under management and provides investment management services to registered investment companies, unregistered investment companies, institutional investors (such as insurance companies, pension plans, endowments and foundations) and high net worth investors. MassMutual Holding LLC is the direct owner of 100% of the voting shares of Babson. MassMutual owns all of the voting shares of MassMutual Holding LLC. All of these entities are located at 1295 State Street, Springfield, Massachusetts, 01111. Babson also has an office at 1500 Main Street, Suite 1100, in Springfield, Massachusetts, 01115, and its principal office is located at One Memorial Drive, Cambridge, Massachusetts 02142.

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### CERTAIN ADMINISTRATIVE SERVICES

MassMutual indirectly provides certain administrative services to the Trust including, but not limited to, accounting services, meeting facilities, legal support, report preparation and other services provided to Babson, the Trust's

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investment adviser. MassMutual's principal business address is 1295 State Street, Springfield, MA, 01111.

### SECTION 16 (a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

During the fiscal year one Babson employee, William F. Glavin, Jr., who had reporting responsibilities with respect to transactions in securities, inadvertently failed to timely file a Form 4 relating to one transaction.

### PROPOSALS BY SHAREHOLDERS AND COMMUNICATIONS WITH THE BOARD OF TRUSTEES

Any Shareholder intending to present a proposal at the Annual Meeting to be held in 2006 who wishes to have such proposal included in the Trust's proxy material for that meeting, should forward the written proposal to the Trust, Attention: Secretary. Proposals must be received on or before November 1, 2005, to be considered for inclusion in the Trust's proxy material for its 2006 Annual Meeting.

Pursuant to procedures approved by the Trust's Board of Trustees, including a majority of the Trustees who are not "interested persons of the Trust" as defined in Section 2(a)(19) of the 1940 Act, Shareholders may mail written communications to the Board by writing the Trust's Chief Financial Officer at the Office of the Trust's investment adviser or by emailing the Trust's Chief Financial Officer at mpvmailbox@massmutual.com. When writing to the Trust's Board, Shareholders should identify themselves, the fact that the communication is directed to the Board, and any relevant information regarding their Trust holdings.

### ADDITIONAL INFORMATION

Proxies will be solicited by mail and may be solicited in person or by telephone, electronically, or facsimile by officers of the Trust. The expenses connected with the solicitation of these proxies and with any further proxies which may be solicited by the Trust's officers in person, by telephone or by facsimile will be borne by the Trust. In addition, the Trust may retain an outside firm to solicit proxies, which would involve additional expenses, payable by the Trust. If the Trust does retain such an outside firm, the anticipated cost would be approximately \$14,000. The Trust will reimburse banks, brokers, and other persons holding the Trust's shares registered in their names or in the names of their nominees, for their expenses incurred in sending proxy material to and obtaining proxies from the beneficial owners of such shares, which reimbursement will not be submitted to a vote of the Trust's Shareholders.

The Trust will arrange for at least one Trustee to attend its 2005 Annual Meeting of Shareholders; encourages all of its Trustees to attend its Annual Meetings of Shareholders; and will endeavor to arrange Annual Meetings of Shareholders on the same date as a Board of Trustees meeting to facilitate such attendance. Six of the Trust's Trustees attended the April 30, 2004 Annual Meeting.

If any Shareholders desire additional information about the matters proposed for action, management will be glad to hear from them and to provide further information.

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### ANNUAL REPORT

The Annual Report of the Trust for its fiscal year ended December 31, 2004, including financial statements, a schedule of the Trust's investments as of such

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date and other data, was mailed on or about March 1, 2005, to all shareholders of record. The financial statements included in such Annual Report are incorporated herein by reference. Any shareholder may request a copy of the Annual Report and the most recent semi-annual report, which will be furnished without charge, by calling (toll-free) the Trust's transfer agent, Shareholder Financial Services, Inc., at 1-800-647-7374.

By order of the  
Board of Trustees,

/s/ Stephen L. Kuhn  
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Stephen L. Kuhn  
VICE PRESIDENT AND SECRETARY

1500 Main Street  
Springfield, Massachusetts 01115  
March 1, 2005

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MASSMUTUAL PARTICIPATION INVESTORS  
C/O BABSON CAPITAL MANAGEMENT LLC  
1500 MAIN STREET  
SUITE 600  
SPRINGFIELD, MA 01115

TO VOTE BY MAIL

- 1) Read the Proxy Statement.
- 2) Check the appropriate boxes on the reverse side.
- 3) Sign and date the proxy card below.
- 4) Return the proxy card in the envelope provided.

MASSMUTUAL PARTICIPATION INVESTORS  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES

The undersigned hereby appoints Stephen L. Kuhn and Charles C. McCobb, Jr., and each of them, attorneys and proxies of the undersigned, with power of substitution to vote all shares of MassMutual Participation Investors (the "Trust") which the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Trust to be held in the Oak Room of Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, Massachusetts 01111, on Friday, April 22, 2005, at 1:00 p.m. Eastern time, and at any adjournments thereof (the "Annual Meeting").

THIS PROXY WILL BE VOTED ON ITEM (1) IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN ON THIS CARD, AND IN THE ABSENCE OF INSTRUCTIONS THE UNDERSIGNED HEREBY AUTHORIZES THE AFORESAID PROXY OR PROXIES TO VOTE FOR ITEM (1).

THIS PROXY WILL BE VOTED ON ITEM (2) IN THE SOLE AND ABSOLUTE DISCRETION OF THE PROXY, AND IN THE ABSENCE OF INSTRUCTIONS, THE UNDERSIGNED HEREBY AUTHORIZES THE AFORESAID PROXY OR PROXIES TO VOTE ON A MATTER RAISED PURSUANT TO ITEM (2).

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Address changes: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(If you noted any address changes above, please mark corresponding box on other side.)

Date \_\_\_\_\_

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 | |  

Signature(s) (if held jointly)  
 (Please sign in box)  
 Please sign exactly as your name or names appear. When signing as joint tenant, all parties to the joint tenancy should sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such.

MASSMUTUAL PARTICIPATION INVESTORS

Please fill in box(es) as shown using black or blue ink or number 2 pencil. [X]  
 PLEASE DO NOT USE FINE POINT PENS.

1. Election of Trustees	For All	Withhold All	For All Except*
Nominees for re-election: (01) Steven A. Kandarian, (02) Jack A. Laughery and (03) Corine T. Norgaard for the terms set forth in the proxy statement.	[ ]	[ ]	[ ]

\*To withhold authority to vote, mark "For All Except" and write the nominee's number on the line below.

2. The proxies are authorized to vote on any other business that may properly come before the Annual Meeting. The proxies are hereby authorized to vote on any other business in their sole and absolute discretion.

	YES	NO
Please indicate if you plan to attend this meeting.	[ ]	[ ]

For address changes, please check this box and write them on the reverse side of this card where indicated. [ ]

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

PLEASE SIGN AND DATE ON THE REVERSE SIDE.