

MASSMUTUAL PARTICIPATION INVESTORS

Form N-30D

June 10, 2005

MASSMUTUAL  
PARTICIPATION  
INVESTORS

[LOGO]

REPORT FOR THE THREE  
MONTHS ENDED 3/31/05

ADVISER

Babson Capital Management LLC  
1500 Main Street  
Springfield, Massachusetts 01115

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP  
Boston, Massachusetts 02110

COUNSEL TO THE TRUST

Ropes & Gray LLP  
Boston, Massachusetts 02110

[LOGO]

MPV  
LISTED  
NYSE

CUSTODIAN

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

TRANSFER AGENT & REGISTRAR

Shareholder Financial Services, Inc.  
P.O. Box 173673  
Denver, Colorado 80217-3673  
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Internet website: [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv)

INVESTMENT OBJECTIVE AND POLICY

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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 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

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

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

The Trustees of MassMutual Participation Investors have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital Management LLC. A description of Babson Capital's proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 866-399-1516; (2) on MassMutual Participation Investors' website: <http://www.babsoncapital.com/mpv>; and (3) on the U.S. Securities and Exchange Commission ("SEC") website at <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (1) on MassMutual Participation Investors' website: <http://www.babsoncapital.com/mpv>; and (2) on the SEC's website at <http://www.sec.gov>.

TO OUR SHAREHOLDERS

April 30, 2005

## Edgar Filing: MASSMUTUAL PARTICIPATION INVESTORS - Form N-30D

We are pleased to present the March 31, 2005 Quarterly Report of MassMutual Participation Investors (the "Trust"). At the Trust's Annual Shareholders Meeting, which was held on April 22, 2005, shareholders re-elected Jack A. Laughery and Corine Norgaard as Trustees, each for a three-year term. As a result of the resignation of Steven Kandarian as a Trustee prior to the Annual Meeting, the size of the Board was reduced from eight to seven members.

The Board of Trustees declared a quarterly dividend to 24 cents per share, payable on May 16, 2005 to shareholders of record on May 2, 2005. The Trust had previously paid a 24 cent per share dividend for the preceding quarter (plus a special year-end dividend of 12 cents per share).

U.S. equity markets, as measured by several broad market indices declined during the quarter. Large stocks, as approximated by the Dow Jones Industrial Average, decreased 2.06%. Smaller stocks, as approximated by the Russell 2000 Index, decreased 5.34%. U.S. fixed income markets, as measured by selected indices, also posted negative returns for the quarter. The Lehman Brothers Government/Credit Index and the Lehman Brothers U.S. Corporate High Yield Index decreased 0.67% and 1.61%, respectively, for the quarter.

During the quarter ended March 31, 2005, net assets of the Trust increased to \$111,110,593 or \$11.46 per share compared to \$107,610,007 or \$11.13 per share on December 31, 2004, which translates into a 2.96% return for the quarter, based on the change in the Trust's net assets assuming the reinvestment of all dividends. Long term, the Trust returned 23.58%, 11.61%, and 14.16% for the 1-, 5-, and 10-year time periods ended March 31, respectively, based on the change in the Trust's net assets assuming the reinvestment of all dividends. The Trust earned 23 cents per share of net investment income for the quarter, compared to 22 cents per share in the previous quarter.

During the quarter, the Trust made private placement investments in two new issuers and closed one "follow-on" investment, totaling approximately \$2.4 million. The follow-on investment purchased by the Trust was in Augusta Sportswear Holding Co. The two new issuers the Trust invested in were Connor Sport Court International, Inc. and Terra Renewal Services, Inc. The weighted average coupon of these investments was 11.4%. (A BRIEF DESCRIPTION OF THESE INVESTMENTS CAN BE FOUND IN THE SCHEDULE OF INVESTMENTS.)

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

Sincerely,

/s/ Roger W. Crandall

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Roger W. Crandall  
President

### PORTFOLIO COMPOSITION AS OF 03/31/05\*

Public High Yield Debt 24%

Public Equity 2%

Cash & Short Term Investments 10%

Private/Restricted Equity 16%

Private Investment Grade Debt 3%

Private High Yield Debt 45%

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\*BASED ON MARKET VALUE OF TOTAL INVESTMENTS

CONSOLIDATED STATEMENT OF  
ASSETS AND LIABILITIES

MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
(Unaudited)

ASSETS:

Investments	
(See Consolidated Schedule of Investments)	
Corporate restricted securities at fair value	
(Cost - \$93,491,200)	\$ 93,148,786
Corporate public securities at market value	
(Cost - \$26,873,388)	27,884,318
Short-term securities at cost plus earned discount which approximates market value	9,053,505
	-----
	130,086,609
Cash	1,950,755
Interest receivable	2,384,638
Receivable for investments sold	140,082
Other assets	18,978
	-----
TOTAL ASSETS	\$134,581,062
	=====

LIABILITIES:

Management fee payable	\$ 249,456
Note payable	12,000,000
Revolving Credit Agreement	10,500,000
Interest payable	292,538
Accrued expenses	97,899
Accrued taxes payable	330,576
	-----
TOTAL LIABILITIES	23,470,469

NET ASSETS:

Common shares, par value \$.01 per share; an unlimited number authorized	96,964
Additional paid-in capital	89,919,670
Retained net realized gain on investments, prior years	19,858,001
Undistributed net investment income	2,653,553
Accumulated net realized loss on investments	(1,844,725)
Net unrealized appreciation of investments	427,130
	-----
TOTAL NET ASSETS	111,110,593
TOTAL LIABILITIES AND NET ASSETS	\$134,581,062
	=====

COMMON SHARES ISSUED AND OUTSTANDING	9,696,389
	=====

NET ASSET VALUE PER SHARE	\$ 11.46
	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED STATEMENT OF  
ASSETS AND LIABILITIES

MASSMUTUAL PARTICIPATION INVESTORS

For the three months ended March 31, 2005  
(Unaudited)

INVESTMENT INCOME:	
Interest	\$ 2,832,256
Dividends	1,269
	-----
TOTAL INVESTMENT INCOME	2,833,525
	-----
EXPENSES:	
Management fees	249,456
Interest	253,785
Trustees' fees and expenses	30,600
Transfer agent/registrar's expenses	6,600
Reports to shareholders	30,000
Professional fees	57,600
Other	12,758
	-----
TOTAL EXPENSES	640,799
	-----
NET INVESTMENT INCOME (\$0.23 PER SHARE)	2,192,726
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Realized loss on investments before taxes	(362,607)
Net change in unrealized depreciation of investments	1,687,535
Provision for taxes	(322,812)
	-----
NET GAIN ON INVESTMENTS	1,002,116
	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 3,194,842
	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED STATEMENT OF  
ASSETS AND LIABILITIES

MASSMUTUAL PARTICIPATION INVESTORS

For the three months ended March 31, 2005  
(Unaudited)

NET DECREASE IN CASH:	
Cash flows from operating activities:	
Interest and dividends received	\$ 2,126,220
Interest expense paid	(75,071)
Operating expenses paid	(454,745)
Income taxes paid	(408,655)
	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,187,749
Cash flows from investing activities:	
Purchases/Proceeds/Maturities from short-term portfolio securities, net	(3,426,104)
Purchases of portfolio securities	(8,776,805)
Proceeds from disposition of portfolio securities	13,772,241

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NET CASH PROVIDED BY INVESTING ACTIVITIES	1,569,332
NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES	2,757,081
Cash flows from financing activities:	
Receipts for shares issued on reinvestment of dividends	305,744
Cash dividends paid from net investment income	(3,482,121)
NET CASH USED FOR FINANCING ACTIVITIES	(3,176,377)
NET DECREASE IN CASH	(419,296)
Cash - beginning of year	2,370,051
CASH - END OF PERIOD	\$ 1,950,755
RECONCILIATION OF NET INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES:	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 3,194,842
Increase in investments	(1,315,212)
Increase in interest receivable	(517,303)
Decrease in receivable for investments sold	1,388,593
Increase in other assets	(18,978)
Increase in management fee payable	7,784
Increase in interest payable	178,714
Decrease in accrued expenses	(75,516)
Decrease in accrued taxes payable	(85,843)
TOTAL ADJUSTMENTS TO NET ASSETS FROM OPERATIONS	(437,761)
NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES	\$ 2,757,081

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED STATEMENTS OF  
CHANGES IN NET ASSETS

MASSMUTUAL PARTICIPATION INVESTORS

For the three months ended March 31, 2005 and the year ended December 31, 2004

	For the three months ended 03/31/2005 (Unaudited)	For the year ended 12/31/2004
	-----	-----
INCREASE IN NET ASSETS: OPERATIONS:		
Net investment income	\$ 2,192,726	\$ 9,713,437
Net realized (loss) gain on investments before taxes	(362,607)	1,196,570
Net change in unrealized depreciation of investments	1,687,535	12,493,998

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Provision for taxes	(322,812)	(504,437)
Net increase in net assets resulting from operations	3,194,842	22,899,568
Net increase in shares of beneficial interest transactions (common shares issued: 2005 - 23,830; 2004 - 81,587)	305,744	927,073
Dividends to shareholders from:		
Net investment income (2004 - \$1.10 per share)	--	(10,613,225)
 TOTAL INCREASE IN NET ASSETS	 3,500,586	 13,213,416
NET ASSETS, BEGINNING OF YEAR	107,610,007	94,396,591
NET ASSETS, END OF PERIOD/YEAR	<u>\$111,110,593</u>	<u>\$107,610,007</u>
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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### CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS      MASSMUTUAL PARTICIPATION INVESTORS

Selected data for each common share outstanding:

	For the three months ended 3/31/2005 (Unaudited)	For the years ended		
		2004	2003	2002
	-----	-----	-----	-----
Net asset value:				
Beginning of year	\$ 11.13	\$ 9.84	\$ 8.78	\$ 9.1
	-----	-----	-----	-----
Net investment income	0.23	1.00	0.80	0.8
Net realized and unrealized gain (loss) on investments	0.10	1.36	1.21	(0.3
	-----	-----	-----	-----
Total from investment operations	0.33	2.36	2.01	0.5
	-----	-----	-----	-----
Dividends from net investment income to common shareholders	--	(1.10)	(0.96)	(0.8
Dividends from net realized gain on investments to common shareholders	--	--	--	--
Change from issuance of shares	--	0.03	0.01	--
	-----	-----	-----	-----
Total distributions	--	(1.07)	(0.95)	(0.8
	-----	-----	-----	-----
Net asset value:				
End of period/year	\$ 11.46	\$ 11.13	\$ 9.84	\$ 8.7
	-----	-----	-----	-----
Per share market value:				
End of period/year	\$ 12.20	\$ 13.31	\$ 11.65	\$ 9.4
	=====	=====	=====	=====

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Total investment return				
Market value	(8.34)%*	25.77%	35.50%	12.5
Net asset value **	2.96%*	25.14%	23.72%	5.7
Net assets (in millions):				
End of period/year	\$ 111.11	\$ 107.61	\$ 94.40	\$ 83.5
Ratio of operating expenses to average net assets	0.35%*	1.63%	1.65%	1.2
Ratio of interest expense to average net assets	0.23%*	0.89%	0.97%	1.0
Ratio of total expenses to average net assets	0.58%*	2.52%	2.62%	2.3
Ratio of net investment income to average net assets	2.00%*	9.60%	8.55%	9.4
Portfolio turnover	7.18%*	51.25%	55.08%	35.3

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

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED SCHEDULE OF INVESTMENTS                      MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
CORPORATE RESTRICTED SECURITIES - 83.83% (A)		
PRIVATE PLACEMENT INVESTMENTS - 76.80%		
A T I ACQUISITION COMPANY		
A for-profit post-secondary school serving students in Texas, Florida and Arizona.		
12% Senior Subordinated Note due 2012	\$ 1,125,000	04/08/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	1,230 shs.	04/08/04
A W C HOLDING COMPANY		
A manufacturer and distributor of aluminum and vinyl windows and doors in the Southwest and Southeast regions of the U.S.		
12% Senior Subordinated Note due 2012	\$ 1,125,000	05/18/04
Limited Partnership Interest of AWC Investment, LLC (B)	132 uts.	05/18/04



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ADORN, INC.

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

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

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

A designer and manufacturer of commercial work vehicles.

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

AMERICAN HOSPICE MANAGEMENT HOLDING LLC

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

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

AUGUSTA SPORTSWEAR HOLDING CO.

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

12% Senior Subordinated Note due 2012	\$ 893,000	12/31/04
Common Stock (B)	261 shs.	**
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	73 shs.	12/31/04

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

\*\*12/31/04 and 03/31/05.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005

(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
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BEACON MEDICAL PRODUCTS, INC.

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

Senior Secured Floating Rate Revolving Credit Facility due 2007	\$ 131,792	04/09/02
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Senior Secured Tranche A Floating Rate Note due 2008	\$	466,242		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)		6.38% int.		04/09/02
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)		794 shs.		04/09/02
BETA BRANDS LTD				
A manufacturer of hard candy and chocolate-coated products sold primarily to the Canadian market.				
5% Promissory Note due 2009 (B)	\$	96,698		03/31/04
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)		2,421 shs.		03/31/04
BETTER MINERALS & AGGREGATES				
A producer of high grade industrial and specialty silica sands.				
14% Redeemable Preferred Stock (B)		499 shs.		09/30/99
Convertible Preferred Stock Series A and B, convertible into common stock at \$9.26 per share (B)		62,997 shs.		12/19/96
Common Stock (B)		10,013 shs.		09/30/99
Warrants, exercisable until 2005 and 2010, to purchase common stock at \$.01 per share (B)		5,700 shs.		*
BRAMPTON FASTENER CO. LTD				
A value-added national distributor of maintenance, repair and operating supplies such as fasteners, electrical components and tools.				
8% Senior Secured Term A Note due 2009	\$	420,000		12/31/04
12% Senior Secured Term B Note due 2009	\$	430,000		12/31/04
Limited Partnership Interest of Brafasco Investors LLC (B)		44,000 uts.		12/31/04
Preferred Stock (B)		155 shs.		12/31/04
Warrant of G C-Sun Holdings L.P., exercisable until 2008, to purchase common stock at \$.01 per share (B)		469 shs.		03/02/00
C & M CONVEYOR, INC.				
A manufacturer and supplier of material handling systems to the corrugated sheet and container industry.				
9.5% Senior Secured Term Note due 2007	\$	569,277		09/13/02
11% Senior Subordinated Note due 2010	\$	478,916		09/13/02
Common Stock (B)		180,723 shs.		09/13/02
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)		78,386 shs.		09/13/02

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

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.)      MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005

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(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	-----	-----
CAINS FOODS, L.P.		
A producer of mayonnaise and sauce products for both the retail and food service markets.		
Limited Partnership Interest (B)	58 uts.	09/29/95
CAPESUCCESS LLC		
A provider of diversified staffing services.		
Preferred Membership Interests (B)	806 uts.	04/29/00
Common Membership Interests (B)	10,421 uts.	04/29/00
CAPITAL SPECIALTY PLASTICS, INC.		
A producer of desiccant strips used for packaging pharmaceuticals products.		
Common Stock (B)	55 shs.	*
CHEMED CORPORATION		
An operator in the residential and commercial repair-and maintenance service industry through two wholly owned subsidiaries, Roto-Rooter and Service America		
Common Stock	10,500 shs.	02/24/04
COEUR, INC.		
A producer of proprietary, disposable power injection syringes.		
Senior Secured Floating Rate Revolving Credit Facility due 2010	\$ 25,363	02/02/05
8.75% Senior Secured Term Note due 2010	\$ 326,087	04/30/03
11.5% Senior Subordinated Note due 2011	\$ 242,754	04/30/03
Common Stock (B)	72,463 shs.	04/30/03
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	50,099 shs.	04/30/03
COINING CORPORATION OF AMERICA LLC		
A manufacturer of close tolerance parts and metal stampings.		
Senior Secured Floating Rate Revolving Credit Facility due 2006	\$ 80,247	01/07/02
Senior Secured Floating Rate Tranche A Note due 2007	\$ 552,469	06/26/01
13% Senior Secured Tranche B Note due 2006	\$ 370,370	06/26/01
Limited Partnership Interest (B)	3.65% int.	06/26/01
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	61,163 shs.	06/26/01

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

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March 31, 2005  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
	-----	-----
<b>COLIBRI HOLDINGS CORPORATION</b>		
A manufacturer and distributor of wild bird feeders and accessories.		
12.5% Senior Subordinated Note due 2008	\$ 843,750	09/22/00
28% Preferred Stock (B)	38 shs.	11/02/01
20% Preferred Stock (B)	35 shs.	03/09/04
Common Stock (B)	756 shs.	09/22/00
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	446 shs.	09/22/00
<b>CONNOR SPORT COURT INTERNATIONAL, INC.</b>		
A designer and manufacturer of outdoor and indoor synthetic sports flooring and other temporary flooring products.		
12% Senior Subordinated Note due 2012	\$ 1,059,417	*
Limited Partnership Interest (B)	103,135 uts.	**
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	92 shs.	*
<b>CORVEST GROUP, INC.</b>		
A manufacturer and distributor of promotional products.		
12% Senior Subordinated Note due 2007	\$ 2,045,455	***
Common Stock (B)	30 shs.	***
Limited Partnership Interest (B)	10.23% int.	***
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	171 shs.	***
<b>DELSTAR HOLDING CORPORATION</b>		
A manufacturer of plastic netting for a wide variety of industries.		
Convertible Preferred Stock, convertible into common stock at \$10 per share (B)	1,758 shs.	10/05/01
Convertible Preferred Stock, convertible into common stock at \$11.89 per share (B)	206 shs.	09/16/04
<b>DEXTER MAGNETICS TECHNOLOGIES, INC.</b>		
A designer, fabricator, assembler and distributor of industrial magnets and subassemblies in North America and Europe.		
12% Senior Subordinated Note due 2006	\$ 81,522	07/19/01
Common Stock (B)	310 shs.	07/19/01
Warrant, exercisable until 2006, to purchase common stock at \$.01 per share (B)	157 shs.	07/19/01

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\*08/12/04 and 01/18/05.  
 \*\*08/12/04 and 01/14/05.  
 \*\*\*03/05/99 and 03/24/99.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
 (Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
	-----	-----
DIRECTED ELECTRONICS, INC.		
A designer and distributor of brand name automotive security systems, audio products and installation accessories.		
Class B Common Stock (B)	19,394 shs.	12/22/99
Limited Partnership Interest (B)	4.61% int.	12/22/99
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	25,713 shs.	12/22/99
DIVERSCO, INC./DHI HOLDINGS, INC.		
A contract provider of janitorial and equipment maintenance services and temporary production labor to industrial customers.		
Membership Interests of MM/Lincap Diversco Investments Ltd. LLC (B)	13.57% int.	08/27/98
Preferred Stock (B)	1,639 shs.	12/14/01
Warrants, exercisable until 2011, to purchase common stock of DHI Holdings, Inc. at \$.01 per share (B)	6,676 shs.	*
DWYER GROUP, INC.		
A franchiser of a variety of home repair services.		
14% Senior Subordinated Note due 2011	\$ 984,375	10/30/03
Common Stock (B)	3,656 shs.	**
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	1,077 shs.	10/30/03
E X C ACQUISITION CORPORATION		
A manufacturer of pre-filled syringes and pump systems used for intravenous drug delivery.		
15% Senior Subordinated Note due 2012	\$ 1,142,078	06/28/04
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		

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independent pet stores.		
14% Senior Subordinated Note due 2011	\$ 562,500	09/24/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	2,163 shs.	09/24/04

### EAGLE WINDOW & DOOR HOLDING CO.

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

12% Senior Subordinated Note due 2010	\$ 1,000,000	05/06/02
Common Stock (B)	125 shs.	05/06/02
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	232 shs.	05/06/02

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

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

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

March 31, 2005  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	-----	-----
EAST RIVER VENTURES I, L.P.		
An acquirer of controlling or substantial interests in other entities.		
Limited Partnership Interest (B)	0.04% int.	01/01/01
ENZYMATIC THERAPY, INC.		
A manufacturer and distributor of branded natural medicines and nutritional supplements.		
13% Senior Subordinated Note due 2006 (B)	\$ 843,750	09/17/02
Limited Partnership Interest (B)	0.70% int.	03/30/00
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	253 shs.	03/30/00
EURO-PRO CORPORATION		
A designer, marketer and distributor of floor care, steam cleaning and small kitchen products and appliances.		
13.25% Senior Subordinated Note due 2011	\$ 1,125,000	09/09/03
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	23,229 shs.	09/09/03
EVANS CONSOLES, INC.		
A designer and manufacturer of consoles and control center systems.		

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10% Senior Secured Note due 2006	\$ 68,418	05/06/04
Limited Partnership Interest of CM Equity Partners (B)	1.21% int.	02/11/98
Common Stock (B)	45,000 shs.	05/06/04
HIGHGATE CAPITAL LLC		
An acquirer of controlling or substantial interests in manufacturing and marketing entities.		
Series A Preferred Units (B)	0.30% int.	07/21/94
HOME DECOR HOLDING COMPANY		
A designer, manufacturer and marketer of framed art and wall decor products.		
12.5% Senior Subordinated Note due 2012	\$ 1,081,731	*
Common Stock (B)	33 shs.	*
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	106 shs.	*
HUSSEY SEATING CORPORATION		
A manufacturer of spectator seating products.		
Senior Secured Floating Rate Revolving Note due 2006	\$ 1,054,767	06/12/96
Senior Secured Floating Rate Note due 2006	\$ 216,563	**
12% Senior Subordinated Note due 2006	\$ 675,000	03/31/03
Common Stock (B)	2,860 shs.	03/12/04

\*06/30/04 and 08/19/04.  
\*\*06/12/96 and 08/03/01.

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

March 31, 2005  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	-----	-----
INTEGRATION TECHNOLOGY SYSTEMS, INC.		
A manufacturer of steel protective computer and network systems for the industrial and office environments.		
16.5% Senior Secured Note due 2006	\$ 922,049	03/01/04
Common Stock (B)	130 shs.	06/01/00
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)	153 shs.	08/04/00
Limited Partnership Interest of Saw Mill Capital		

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Fund II, L.P. (B)	1.30% int.	08/03/00
Warrants, exercisable until 2008 and 2009, to purchase common stock at \$.01 per share (B)	26,931 shs.	08/04/00
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)	593 shs.	12/15/04
KEEPSAKE QUILTING, INC.		
A seller of quilting fabrics, books, patterns, kits and notions to consumers.		
Senior Secured Floating Rate Revolving Note due 2005	\$ 20,967	06/16/00
Senior Secured Floating Rate Tranche A Note due 2007	\$ 348,581	06/16/00
12% Senior Secured Tranche B Note due 2008	\$ 314,509	06/16/00
Limited Partnership Interest of Riverside XVI Holding Company, L.P. (B)	3.02% int.	06/12/00
Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)	633 shs.	06/12/00
KELE AND ASSOCIATES, INC.		
A distributor of building automation control products.		
12% Senior Subordinated Note due 2012	\$ 969,643	02/27/04
Common Stock (B)	18 shs.	02/27/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	6 shs.	02/27/04
KENAN-ADVANTAGE TRANSPORT COMPANY		
A transporter of light petroleum, petrochemicals, lubricants and residual fuels.		
12.5% Senior Subordinated Note due 2009	\$ 962,170	04/30/01
Preferred Stock (B)	163 shs.	04/30/01
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	142 shs.	04/30/01

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
(Unaudited)

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



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### KEYSTONE NORTH AMERICA, INC.

An operator of funeral homes in North America.

Common Stock (B)	28,577 shs.	02/08/05
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### LANCASTER LABORATORIES, INC.

A laboratory testing operation in the United States.

Common Stock (B)	455,739 shs.	09/25/00
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### LIH INVESTORS, L.P.

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

### MAVERICK ACQUISITION COMPANY

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

Senior Secured Floating Rate Revolving Note due 2009	\$ 13,433	02/17/05
Senior Secured Floating Rate Tranche A Note due 2010	\$ 447,762	09/03/04
12% Senior Secured Tranche B Note due 2011	\$ 179,104	09/03/04
Limited Partnership Interest (B)	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.

12% Senior Subordinated Note due 2011	\$ 1,125,000	05/01/03
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)	44,054 shs.	05/01/03

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

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March 31, 2005  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount -----	Acquisition Date -----
 <b>MOSS, INC.</b>		
A manufacturer and distributor of large display and exhibit structures.		
Senior Secured Floating Rate Revolving Note due 2007	\$ 57,660	03/24/05
Senior Secured Floating Rate Tranche A Note due 2007	\$ 486,355	09/21/00
12% Senior Secured Tranche B Note due 2008	\$ 192,200	09/21/00
Limited Partnership Interest of Riverside Capital Appreciation Fund I, L.P. (B)	21.37% int.	*
Warrant, exercisable until 2008, to purchase common stock at \$100 per share (B)	264 shs.	09/21/00
 <b>MUSTANG VENTURES COMPANY</b>		
A natural gas gathering and processing operation located in Oklahoma and Texas.		
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	8,752 shs.	12/11/02
 <b>NEFF MOTIVATION, INC.</b>		
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
 <b>NONNI'S FOOD COMPANY</b>		
A producer and distributor of premium biscotti and bagel chips in North America		
12.25% Senior Subordinated Note due 2012	\$ 986,538	03/29/04
10% Preferred Stock (B)	135 shs.	03/29/04
Common Stock (B)	3,418 shs.	03/29/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	4,565 shs.	03/29/04
 <b>NPC, INC.</b>		
A manufacturer of flexible connectors and equipment used in the installation of sewers and storm drain pipelines.		
Senior Secured Floating Rate Revolving Note due 2006	\$ 186,513	06/25/99
Senior Secured Floating Rate Note due 2006	\$ 1,075,424	06/25/99
12% Senior Secured Tranche B Note due 2007	\$ 559,322	06/25/99
Limited Partnership Interest of Riverside XIII Holding Company L.P. (B)	1.93% int.	06/11/99
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	115 shs.	06/25/99

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

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 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
 (Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
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<b>NYLONCRAFT, INC.</b>		
A supplier of engineered plastic components for the automotive industry.		
9% Senior Secured Note due 2009	\$ 464,286	01/28/02
11.5% Senior Subordinated Note due 2012	\$ 857,143	01/28/02
Common Stock (B)	178,571 shs.	01/28/02
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	138,928 shs.	01/28/02
<b>OLYMPIC SALES, INC.</b>		
A boat retailer in Washington state, Oregon and California and British Columbia.		
12% Senior Subordinated Note due 2006	\$ 1,387,000	08/07/98
12% Senior Subordinated Note due 2008	\$ 244,154	02/09/00
Limited Partnership Interest of Riverside VIII, VIII-A and VIII-B Holding Company, L.P. (B)	795,964 uts.	*
Warrants, exercisable until 2007 and 2008, to purchase common stock at \$.01 per share (B)	15,166 shs.	**
<b>PARADIGM PACKAGING, INC.</b>		
A manufacturer of plastic bottles and closures for the nutritional, pharmaceutical, personal care and food 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>P H I HOLDING COMPANY</b>		
A retailer of mid-priced gift items, home and garden decor, accessories and other similar consumer products.		
12.5% Senior Subordinated Note due 2010	\$ 1,125,000	10/25/02
Warrant, exercisable until 2010, to purchase common stock at \$.02 per share (B)	186 shs.	10/25/02
<b>PRECISION DYNAMICS, INC.</b>		
A manufacturer of custom-designed solenoid valves and controls.		
Senior Secured Floating Rate Revolving Credit		

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Facility due 2005	\$ 366,750	07/22/96
Senior Secured Floating Rate Term Note due 2005	\$ 142,625	07/22/96
12% Senior Secured Term Note due 2005	\$ 163,000	07/22/96
8% Preferred Stock	228 shs.	07/22/96
Common Stock (B)	299 shs.	07/22/96
Warrant, exercisable until 2005, to purchase common stock at \$.01 per share (B)	162 shs.	07/22/96

\*08/07/98, 02/23/99, 12/22/99 and 02/25/03.  
\*\*08/07/98 and 02/29/00.

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

March 31, 2005  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	-----	-----
PROCESS CHEMICALS LLC		
A specialty chemical company that manufactures processed chemicals for the fertilizer, asphalt and concrete industries.		
Common Membership Interests	1 uts.	*
PROTEIN GENETICS, INC.		
A producer of bovine artificial insemination products, related breeding and healthcare products and specialty genetics sold to the dairy and beef industries.		
9.8% Redeemable Exchangeable Preferred Stock (B)	332 shs.	08/12/94
Common Stock (B)	867 shs.	**
PW EAGLE, INC. - O.T.C.		
An extruder of small and medium diameter plastic pipe and tubing in the United States.		
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	101,236 shs.	09/16/99
QUALIS AUTOMOTIVE LLC		
A distributor of aftermarket automotive brake and chassis products.		
12% Senior Subordinated Note due 2012	\$ 937,500	05/28/04
Common Stock (B)	187,500 shs.	05/28/04
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	199,969 shs.	05/28/04
QUALSERV CORPORATION		
A provider of foodservice equipment and supplies, to major restaurant chains and their franchisees.		
14% Senior Subordinated Note due 2012	\$ 997,487	07/09/04

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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

### RIVER RANCH FRESH FOODS LLC

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

13% Senior Subordinated Note due 2011	\$ 975,000	09/29/04
Limited Partnership Interest (B)	21,499 uts.	09/29/04
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	12,481 shs.	09/29/04

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

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

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

March 31, 2005  
(Unaudited)

	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	-----	-----
<b>ROYAL BATHS MANUFACTURING COMPANY</b>		
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
<b>SAFETY SPEED CUT MANUFACTURING COMPANY, INC.</b>		
A manufacturer of vertical panel saws and routers for the wood working industry.		
Senior Secured Floating Rate Tranche A Note due 2007	\$ 659,549	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
<b>SAVAGE SPORTS HOLDING, INC.</b>		
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

### SELIG ACQUISITION CORPORATION

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A manufacturer of container sealing materials for bottles used in consumer products.

12% Senior Subordinated Note due 2009	\$ 1,125,000	06/13/02
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	1,064 shs.	06/13/02

### SHELTER ACQUISITION, INC.

A distributor of roofing supplies and products throughout the Midwest.

12.5% Senior Subordinated Note due 2008	\$ 803,571	08/01/02
Common Stock (B)	477,411 shs.	*
Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)	139,470 shs.	08/01/02

### SNYDER INDUSTRIES, INC.

A manufacturer of proprietary rotationally molded polyethylene containers.

12.25% Senior Subordinated Note due 2008	\$ 2,250,000	12/06/99
Warrant, exercisable until 2007, to purchase common stock at \$.01 per share (B)	369 shs.	12/06/99

### SPECIALTY FOODS GROUP, INC.

A manufacturer and distributor of branded meat products.

Limited Partnership Interest of MHD Holdings LLC (B)	0.76% int.	08/29/00
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\*08/01/02, 01/17/03 and 12/31/04.

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

March 31, 2005  
(Unaudited)

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

### 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
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### SYNVENTIVE EQUITY LLC

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

12% Senior Subordinated Note due 2007	\$ 975,000	08/21/03
Limited Partnership Interest (B)	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

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TERRA RENEWAL SERVICES, INC.

A provider of wastewater residual management and required environmental reporting, permitting, nutrient management planning and record keeping to companies involved in poultry and food processing.

Senior Secured Floating Rate Term A Note due 2010	\$ 179,688	03/01/05
Senior Secured Floating Rate Term B Note due 2012	\$ 210,937	03/01/05
12% Senior Subordinated Note due 2013	\$ 585,937	03/01/05
Limited Partnership Interest of Saw Mill Capital Fund V, L.P. (B)	236 uts.	03/01/05
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	37 shs.	03/01/05

THE TRANZONIC COMPANIES

A producer of commercial and industrial supplies, such as safety products, janitorial supplies, work apparel, washroom and restroom supplies and sanitary care products.

13% Senior Subordinated Note due 2009	\$ 1,356,000	02/05/98
Common Stock (B)	315 shs.	02/04/98
Warrant, exercisable until 2006, to purchase common stock at \$.01 per share (B)	222 shs.	02/05/98

TIDEWATER HOLDINGS, INC.

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

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

TOMAH HOLDINGS, INC.

A manufacturer of specialty chemicals.

16% Senior Subordinated Note due 2011	\$ 773,875	12/08/03
16% Preferred Stock Series A (B)	20 shs.	12/08/03
Common Stock (B)	2,789 shs.	12/08/03

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
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### 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	\$ 676,983	01/20/00
12% Senior Subordinated Note due 2010	\$ 758,100	01/20/00
Common Stock (B)	129,960 shs.	01/20/00
Warrant, exercisable until 2010, to purchase common stock at \$1 per share (B)	148,912 shs.	01/20/00

### 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, seller 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
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### 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	\$ 947,368	08/06/03
Preferred Stock (B)	1,771 shs.	08/06/03
Common Stock (B)	546 shs.	08/06/03
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	502 shs.	08/06/03

### 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
10% Junior Subordinated Note due 2012	\$ 33,705	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

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
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CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Shares, Units, Warrants, Ownership or Principal Amount	Acquisition Date
	-----	-----
VICTORY VENTURES LLC		
An acquirer of controlling or substantial interests in other entities.		
Series A Preferred Units (B)	0.03% 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 and medical and food products.		
12.5% Senior Subordinated Note due 2012	\$ 900,000	07/19/04
Limited Partnership Interest Class A (B)	219,375 uts.	07/19/04
Limited Partnership Interest Class B (B)	96,848 uts.	07/19/04
WALLS INDUSTRIES, INC.		
A provider of branded workwear and sporting goods apparel.		
10% Senior Subordinated Lien Note due 2009	\$ 532,895	07/12/04
14% Senior Subordinated Note due 2012	\$ 552,631	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
WASHINGTON INVENTORY SERVICES, INC.		
A provider of physical inventory taking and other related services to retailers.		
12.5% Senior Subordinated Note due 2011	\$ 569,524	11/03/00
Senior Preferred Stock (B)	2,484 shs.	11/01/00
Class B Common Stock (B)	4,743 shs.	11/01/00
Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)	2,107 shs.	11/03/00
WEASLER HOLDINGS LLC		
A manufacturer of mechanical power transmission components for the agricultural, lawn and turf industries.		

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Limited Partnership Interest (B)	0.82% int.	02/03/03
Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)	136 shs.	02/04/03

TOTAL PRIVATE PLACEMENT INVESTMENTS

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.)    MASSMUTUAL PARTICIPATION INVESTORS  
March 31, 2005  
(Unaudited)

CORPORATE RESTRICTED SECURITIES (A) (CONTINUED)	Interest Rate ----	Due Date ----	Shares or Principal Amount -----	Cost ----
RULE 144A SECURITIES - 7.03%:				
BONDS - 6.65%				
A E P Industries, Inc.	7.875%	03/15/13	\$ 75,000	\$ 75,000
A E S Corporation	8.750	05/15/13	425,000	477,220
A E S Corporation	9.000	05/15/15	175,000	175,000
Activant Solutions, Inc.	9.010	04/01/10	400,000	400,000
BCP Caylux Holding Lux SCA	9.625	06/15/14	355,000	355,000
Blockbuster, Inc.	9.000	09/01/12	275,000	277,140
Bombardier Capital, Inc.	6.125	06/29/06	500,000	509,380
Bombardier, Inc.	6.300	05/01/14	500,000	440,310
Cablevision Systems Corporation	6.669	04/01/09	450,000	450,000
Charter Communications Op LLC	8.000	04/30/12	500,000	498,750
Douglas Dynamics LLC	7.750	01/15/12	325,000	327,020
GulfMark Offshore, Inc.	7.750	07/15/14	300,000	298,720
Intelsat Bermuda, Ltd.	7.805	01/15/12	225,000	225,000
Intelsat Bermuda, Ltd.	8.250	01/15/13	250,000	250,000
Interactive Health LLC	7.250	04/01/11	500,000	412,040
Jostens I H Corporation	7.625	10/01/12	325,000	325,000
Magnachip Semiconductor	8.000	12/15/14	50,000	50,000
Markwest Energy	6.875	11/01/14	250,000	250,000
Metaldyne Corporation	10.000	11/01/13	340,000	342,130
PQ Corporation	7.500	02/15/13	175,000	175,000
Siebe PLC	6.500	01/15/10	350,000	308,000
T C W Lev Income Trust LP	8.410	09/30/04	942,858	942,850
Texas Genco LLC	6.875	12/15/14	350,000	350,000
Universal City Florida	7.493	05/01/10	100,000	100,000
Universal City Florida	8.375	05/01/10	100,000	100,000
<b>TOTAL BONDS</b>			<b>\$ 8,237,858</b>	<b>8,113,590</b>
CONVERTIBLE BONDS - 0.38%				
Cymer, Inc.	3.500%	02/15/09	\$ 450,000	\$ 450,000
<b>TOTAL CONVERTIBLE BONDS</b>			<b>\$ 450,000</b>	<b>450,000</b>
WARRANTS - 0.00%				
Winsloew Furniture, Inc. (B)			700	\$

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TOTAL WARRANTS	7
TOTAL RULE 144A SECURITIES	8,563,60
TOTAL CORPORATE RESTRICTED SECURITIES	\$ 93,491,20

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
 March 31, 2005  
 (Unaudited)

CORPORATE PUBLIC SECURITIES - 25.10%:(A)	Interest Rate	Due Date	Principal Amount	Cost
BONDS - 22.24%				
Abitibi-Consolidated, Inc.	7.750%	06/15/11	\$ 500,000	\$ 517,76
Activant Solutions, Inc.	10.500	06/15/11	325,000	326,02
Aearo Co.	8.250	04/15/12	225,000	225,00
Allied Waste NA	7.875	04/15/13	500,000	513,75
American Media Operation, Inc.	8.875	01/15/11	475,000	475,69
Appleton Papers, Inc.	8.125	06/15/11	250,000	250,00
Argo Tech Corporation	9.250	06/01/11	425,000	425,00
Arrow Electronics, Inc.	7.000	01/15/07	500,000	523,17
C S C Holdings, Inc.	7.625	04/01/11	250,000	251,05
Cadmus Communications Corporation	8.375	06/15/14	350,000	350,00
Chemed Corporation	8.750	02/24/11	600,000	600,00
Chesapeake Energy Corporation	7.000	08/15/14	150,000	150,00
Cincinnati Bell, Inc.	8.375	01/15/14	550,000	503,75
Collins & Aikman Products Co.	10.750	12/31/11	450,000	462,12
Del Monte Corporation	8.625	12/15/12	200,000	200,00
Dollar Financial Group	9.750	11/15/11	325,000	325,00
Dominos, Inc.	8.250	07/01/11	109,000	108,21
Electronic Data Systems Corporation	7.125	10/15/09	500,000	506,00
Esterline Technologies	7.750	06/15/13	175,000	175,00
Ford Motor Credit Co.	5.800	01/12/09	500,000	499,07
G F S I, Inc.	9.625	03/01/07	375,000	337,54
Gencorp, Inc.	9.500	08/15/13	130,000	130,00
General Motors Accept Corporation	5.850	01/14/09	500,000	503,53
General Nutrition Center	8.500	12/01/10	425,000	425,00
Goodyear Tire & Rubber Co.	7.857	08/15/11	350,000	327,25
Houghton Mifflin Co.	9.875	02/01/13	500,000	528,07
Huntsman LLC	11.625	10/15/10	163,000	161,06
Intrawest Corporation	7.500	10/15/13	250,000	250,00
K 2, Inc.	7.375	07/01/14	150,000	150,61
Koppers Inc.	9.875	10/15/13	250,000	250,00
Leucadia National Corporation	7.000	08/15/13	350,000	357,12
Liberty Media Corporation	5.700	05/15/13	500,000	475,80
Lodgenet Entertainment Corporation	9.500	06/15/13	375,000	375,00
Lyondell Chemical Co.	9.500	12/15/08	450,000	459,53
M G M Mirage, Inc.	6.000	10/01/09	225,000	228,08
M S X International, Inc.	11.000	10/15/07	175,000	173,50
Majestic Star Casino LLC	9.500	10/15/10	250,000	250,00
Manitowoc Company, Inc.	7.125	11/01/13	100,000	100,00
Mediacom LLC	9.500	01/15/13	750,000	746,10
Moog, Inc.	6.250	01/15/15	60,000	60,00
Nalco Co.	7.750	11/15/11	250,000	250,00

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Neff Corporation	10.250	06/01/08	90,000	89,000
Nextel Communications Corporation	7.375	08/01/15	400,000	410,340
North American Energy Partners	8.750	12/01/11	200,000	200,000
Northwest Airlines Corporation	8.970	01/02/15	643,112	643,112
Numatics, Inc.	9.625	04/01/08	375,000	376,820
O E D Corp/Diamond Jo Company Guarantee	8.750	04/15/12	500,000	492,980

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
March 31, 2005  
(Unaudited)

CORPORATE PUBLIC SECURITIES - (A) (Continued)	Interest Rate	Due Date	Principal Amount	Cost
	-----	-----	-----	-----
Offshore Logistics, Inc.	6.125%	06/15/13	\$ 350,000	\$ 350,000
Pacific Energy Partners	7.125	06/15/14	250,000	252,170
Pinnacle Foods Group	8.250	12/01/13	225,000	225,000
Pliant Corporation	0.000	06/15/09	675,000	587,340
Primedia, Inc.	8.000	05/15/13	500,000	513,750
Quintiles Transnational Corporation	10.000	10/01/13	250,000	250,000
Rayovac Corporation	8.500	10/01/13	175,000	175,000
Rent-A-Center, Inc.	7.500	05/01/10	250,000	250,000
Rent-Way, Inc.	11.875	06/15/10	450,000	471,530
Rhodia SA	10.250	06/01/10	250,000	252,660
Rhodia SA	8.875	06/01/11	250,000	249,830
Rogers Wireless, Inc.	7.250	12/15/12	90,000	90,000
Rogers Wireless, Inc.	8.000	12/15/12	90,000	90,000
Rogers Wireless, Inc.	7.500	03/15/15	60,000	60,000
Service Corporation International	6.000	12/15/05	21,000	21,070
Sheridan Acquisition Corporation	10.250	08/15/11	225,000	222,000
Sports Club Co.	11.375	03/15/06	100,000	97,000
Tekni-Plex, Inc.	12.750	06/15/10	500,000	483,500
Telex Communications, Inc.	11.500	10/15/08	250,000	250,000
Tenet Healthcare Corporation	6.375	12/01/11	250,000	241,250
Tenet Healthcare Corporation	9.875	07/01/14	350,000	341,850
Triton P C S, Inc.	8.500	06/01/13	500,000	500,000
Tyco International Group SA	6.375	10/15/11	150,000	148,500
United Rentals, Inc.	7.750	11/15/13	325,000	325,000
Utilicorp United, Inc.	9.950	02/01/11	500,000	551,880
Vicorp Restaurants Inc	10.500	04/15/11	300,000	296,370
Vought Aircraft Industries	8.000	07/15/11	650,000	649,320
Warner Music Group	7.375	04/15/14	125,000	125,000
Williams Scotsman, Inc.	9.875	06/01/07	250,000	246,250
Wornick Co.	10.875	07/15/11	350,000	350,000
			-----	-----
TOTAL BONDS			\$ 24,856,112	24,803,400
			=====	-----

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS  
March 31, 2005  
(Unaudited)

Shares or

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CORPORATE PUBLIC SECURITIES (A) (CONTINUED)	Interest Rate	Due Date	Principal Amount	Cost
	-----	-----	-----	-----
COMMON STOCK - 2.41%				
Distributed Energy Systems			14,000	\$ 177,07
Dolby Laboratories, Inc. (B)			100	1,80
H C I Direct, Inc. (B)			500	--
Rent-Way, Inc. (B)			46,432	458,12
Transmontaigne, Inc. (B)			277,771	909,17
Shamir Optical Industry Ltd (B)			1,700	23,80
			-----	-----
TOTAL COMMON STOCK				1,569,98
				-----
CONVERTIBLE BONDS - 0.45%				
Leucadia National Corporation	3.750%	04/15/14	\$ 500,000	\$ 500,00
			-----	-----
TOTAL CONVERTIBLE BONDS			\$ 500,000	500,00
			=====	-----
TOTAL CORPORATE PUBLIC SECURITIES				\$ 26,873,38
				-----
SHORT-TERM SECURITIES:				
	Interest Rate/Yield	Due Date	Shares or Principal Amount	Cost
	-----	-----	-----	-----
COMMERCIAL PAPER - 8.15%				
Alcoa, Inc.	2.801%	04/06/05	\$ 1,131,000	\$ 1,130,56
Campbell Soup Company	2.781	04/07/05	1,887,000	1,886,12
Countrywide Home Loans, Inc.	2.852	04/05/05	2,090,000	2,089,33
Detroit Edison Company	2.802	04/04/05	2,225,000	2,224,48
Whirlpool Corporation	2.772	04/01/05	1,723,000	1,723,00
			-----	-----
TOTAL SHORT-TERM SECURITIES			\$ 9,056,000	\$ 9,053,50
			=====	-----
TOTAL INVESTMENTS	117.08%			\$129,418,09
				=====
Other Assets	4.04			
Liabilities	(21.12)			
	-----			
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.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
(Unaudited)

Fair Value/

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INDUSTRY CLASSIFICATION: (Cont.)	Market Value -----	INDUSTRY CLASSIFICATION: (
AEROSPACE - 1.52%		BUILDINGS & REAL ESTATE -
Argo Tech Corporation	\$ 456,875	A W C Holding Company
Bombardier, Inc.	420,000	Adorn, Inc.
Esterline Technologies	182,000	Eagle Window & Door Holdin
Vought Aircraft Industries	640,250	Shelter Acquisition, Inc.
	-----	TruStile Doors, Inc.
	1,699,125	
	-----	
AIRLINES - 0.37%		CARGO TRANSPORT - 2.48%
Northwest Airlines Corporation	407,026	Kenan-Advantage Transport
	-----	Tidewater Holdings, Inc.
AUTOMOBILE - 8.60%		
America's Body Company, Inc./LCP Holding Co.	1,750,000	CHEMICAL, PLASTICS
Collins & Aikman Products Co.	370,125	& RUBBER - 2.70%
Gencorp, Inc.	144,950	Capital Specialty Plastics
Goodyear Tire & Rubber Co.	337,750	Huntsman LLC
Jason, Inc.	1,031,221	Koppers, Inc.
LIH Investors, L.P.	2,681,166	Lyondell Chemical Co.
Metaldyne Corporation	309,400	PQ Corporation
Nyloncraft, Inc.	1,790,518	Process Chemicals LLC
Qualis Automotive LLC	1,137,268	Rhodia SA
	-----	Tomah Holdings, Inc.
	9,552,398	
	-----	
BEVERAGE, DRUG & FOOD - 4.93%		
Beta Brands Ltd	--	CONSUMER PRODUCTS - 8.36%
Cains Foods, L.P.	250,288	Appleton Papers, Inc.
Del Monte Corporation	216,500	Augusta Sportswear Holding
Dominos, Inc.	113,905	Colibri Holdings Corporati
Eagle Pack Pet Foods, Inc.	561,294	Euro-Pro Corporation
Nonni's Food Company	1,168,600	G F S I, Inc.
Pinnacle Foods Group	192,375	H C I Direct, Inc.
River Ranch Fresh Foods LLC	1,096,447	K 2, Inc.
Specialty Foods Group, Inc.	67,845	Maverick Acquisition Compa
Vicorp Restaurants, Inc.	306,000	Neff Motivation, Inc.
Vitality Foodservice, Inc.	1,134,840	Rayovac Corporation
Wornick Co.	365,750	Royal Baths Manufacturing
	-----	Savage Sports Holding, Inc
	5,473,844	The Tranzonic Companies
	-----	Walls Industries, Inc.
BROADCASTING - 2.58%		Winsloew Furniture, Inc.
C S C Holdings, Inc.	260,000	
Cablevision Systems Corporation	477,000	CONTAINERS, PACKAGING
Charter Communications Op LLC	497,500	& GLASS - 6.81%
Liberty Media Corporation	471,265	A E P Industries, Inc.
Lodgenet Entertainment Corporation	408,750	Paradigm Packaging, Inc.
Mediacom LLC	748,125	Pliant Corporation
	-----	Selig Acquisition Corporat
	2,862,640	Snyder Industries, Inc.
	-----	Tekni-Plex, Inc.
		Vitex Packaging, Inc.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
(Unaudited)

INDUSTRY CLASSIFICATION: (Cont.)	Fair Value/ Market Value	INDUSTRY CLASSIFICATION: (Cont.)
-----		
DISTRIBUTION - 4.64%		FINANCIAL SERVICES - 3.09%
Brampton Fastener Co. Ltd	\$ 898,850	BCP Caylux Holding Lux SCA
Corvest Group, Inc.	1,965,370	Bombardier Capital, Inc.
Kele and Associates, Inc.	1,229,813	Dollar Financial Group
QualServ Corporation	1,065,296	East River Ventures I, L.P.
Strategic Equipment & Supply Corporation, Inc.	--	Ford Motor Credit Co.
	-----	General Motors Acceptance
	5,159,329	Highgate Capital LLC
	-----	Leucadia National Corporat
DIVERSIFIED/CONGLOMERATE,		T C W Leveraged Income Tru
MANUFACTURING - 3.44%		Victory Ventures LLC
Activant Solutions, Inc.	754,125	Williams Scotsman, Inc.
Coining of America LLC	1,101,237	
Dexter Magnetics Technologies, Inc.	580,514	HEALTHCARE, EDUCATION &
Douglas Dynamics LLC	318,500	CHILDCARE - 4.60%
Evans Consoles, Inc.	68,418	A T I Acquisition Company
Justrite Manufacturing Acquisition Co.	837,513	American Hospice Managemen
Tyco International Group SA	160,132	Interactive Health LLC
	-----	MedAssist, Inc.
	3,820,439	Quintiles Transnational Co
	-----	Shamir Optical Industry Lt
DIVERSIFIED/CONGLOMERATE,		Tenet Healthcare Corporati
SERVICE - 8.18%		
Abitibi-Consolidated, Inc.	490,000	HOME & OFFICE FURNISHINGS,
Allied Waste NA	498,750	HOUSEWARES, AND DURABLE
CapeSuccess LLC	2,512	CONSUMER PRODUCTS - 3.63%
Chemed Corporation	1,455,540	Connor Sport Court Interna
Diversco, Inc./DHI Holdings, Inc.	1,044,048	Home Decor Holding Company
Dwyer Group, Inc.	1,339,471	Hussey Seating Corporation
Keystone North America, Inc.	173,177	U-Line Corporation
Lancaster Laboratories, Inc.	810,076	
Moss, Inc.	969,788	LEISURE, AMUSEMENT,
M S X International, Inc.	175,000	ENTERTAINMENT - 1.99%
Service Corporation International	21,000	Intrawest Corporation
U S M Holdings Corporation	1,146,404	Keepsake Quilting, Inc.
Universal City Florida	205,500	M G M Mirage, Inc.
Washington Inventory Services, Inc.	754,330	Majestic Star Casino LLC
	-----	O E D Corp/Diamond Jo Comp
	9,085,596	Warner Music Group
	-----	
ELECTRONICS - 3.93%		
A E S Corporation	655,750	
Arrow Electronics, Inc.	518,707	
Directed Electronics, Inc.	1,134,748	
Distributed Energy Systems	47,600	
Electronic Data Systems Corporation	537,419	
Precision Dynamics, Inc.	802,810	
Siebe PLC	320,250	

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Texas Genco LLC	350,875
	-----
	4,368,159
	-----
FARMING & AGRICULTURE - 0.00%	
Protein Genetics, Inc.	--
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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

March 31, 2005  
(Unaudited)

INDUSTRY CLASSIFICATION: (Cont.)	Fair Value/ Market Value	INDUSTRY CLASSIFICATION: (
	-----	
MACHINERY - 11.96%		RETAIL STORES - 5.82%
Aearo Co.	\$ 237,375	Blockbuster, Inc.
C & M Conveyor, Inc.	1,208,603	General Nutrition Center
Integration Technology Systems, Inc.	907,967	Neff Corporation
Manitowoc Company, Inc.	103,000	Olympic Sales, Inc.
Maxon Corporation	1,473,276	P H I Holding Company
NPC, Inc.	1,929,694	Rent-A-Center, Inc.
Numatics, Inc.	341,250	Rent-Way, Inc.
PW Eagle, Inc.	413,144	Sports Club Co.
Safety Speed Cut Manufacturing Company, Inc.	1,596,093	TVI, Inc.
Synventive Equity LLC	1,864,482	United Rentals, Inc.
Tronair, Inc.	1,583,498	
Tubular Textile Machinery	1,368,660	
Weasler Holdings LLC	264,936	
	-----	TECHNOLOGY - 0.63%
	13,291,978	Convera Corporation
	-----	Cymer, Inc.
MEDICAL DEVICES/BIOTECH - 2.74%		Delstar Holding Corporation
Beacon Medical Products, Inc.	1,179,253	Dolby Laboratories, Inc.
Coeur, Inc.	674,085	Magnachip Semiconductor
E X C Acquisition Corporation	1,187,761	
	-----	TELECOMMUNICATIONS - 2.18%
	3,041,099	Cincinnati Bell, Inc.
	-----	Intelsat Bermuda, Ltd.
MINING, STEEL, IRON		Nextel Communications Corp
& NON PRECIOUS METALS - 0.05%		Rogers Wireless, Inc.
Better Minerals & Aggregates	54,525	Telex Communications, Inc.
	-----	Triton P C S, Inc.
OIL AND GAS - 3.52%		
Chesapeake Energy Corporation	154,500	UTILITIES - 1.01%
GulfMark Offshore, Inc.	309,000	Bill Barrett Corporation
Mustang Ventures Company	451,727	Markwest Energy
North American Energy Partners	180,000	Moog, Inc.
Offshore Logistics, Inc.	332,500	Nalco Co.
Pacific Energy Partners	258,750	Utilicorp United, Inc.
Transmontaigne, Inc.	2,222,168	
	-----	
	3,908,645	
	-----	
PHARMACEUTICALS - 0.46%		
Enzymatic Therapy, Inc.	509,066	



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PUBLISHING/PRINTING - 2.20%		
American Media Operation, Inc.	489,250	WASTE MANAGEMENT/ POLLUTION - 1.06%
Cadmus Communications Corporation	365,750	Terra Renewal Services, Inc.
Houghton Mifflin Co.	515,000	
Jostens I H Corporation	321,750	TOTAL CORPORATE RESTRICTED
Primedia, Inc.	510,000	AND PUBLIC SECURITIES - 1
Sheridan Acquisition Corporation	239,063	
	-----	
	2,440,813	
	-----	

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS      MASSMUTUAL PARTICIPATION INVESTORS  
(Unaudited)

1. HISTORY

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

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

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

2. Significant Accounting Policies

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

A. Valuation of Investments:

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

Nearly all securities which are acquired by the Trust directly from the issuers and shares into which such securities may be converted or which may be purchased on the exercise of warrants will be subject to legal or contractual delays in, or restrictions on, resale and will therefore be

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"restricted securities". Generally speaking, as contrasted with open-market sales of unrestricted securities, which may be effected immediately if the market is adequate, absent an exemption from registration, restricted securities can be sold only in a public offering for which a registration statement is in effect under the Securities Act of 1933.

The value of restricted securities, and of any other assets for which there are no reliable market quotations, is the fair value as determined in good faith by the Trust's Board of Trustees the ("Trustees"). Each restricted security is valued by the Trustees as of the time of its acquisition and at least quarterly thereafter. The Trustees have established guidelines to aid in the valuation of each security. Generally, restricted securities are initially valued at cost or less at the time of acquisition by the Trust. Values greater or less than cost are thereafter used for restricted securities in appropriate circumstances. Among the factors ordinarily considered are the existence of restrictions upon the sale of a security held by the Trust; an estimate of the existence and the extent of a market for the security; the extent of any discount at which the security was acquired; the estimated period of time during which the security will not be freely marketable; the estimated expenses of registering or otherwise qualifying the security for public sale; estimated underwriting commissions if underwriting would be required to effect a sale; in the case of a convertible security, whether or not it would trade on the basis of its stock equivalent; in the case of a debt obligation which would trade independently of any equity equivalent, the current yields on comparable securities; the estimated amount of the floating supply of such securities available for purchase; the proportion of the issue held by the Trust; changes in the financial condition and prospects of the issuer; the existence of merger proposals or tender offers affecting the issuer; and any other factors affecting fair value, all in accordance with the Investment Company Act of 1940, as amended. In making valuations, opinions of counsel may be relied upon as to whether or not securities are restricted securities and as to the legal requirements for public sale.

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

The Trust's Board of Trustees meets at least once in each quarter to value the Trust's portfolio securities as of the close of business on the last business day of the preceding quarter. This valuation requires the approval of a majority of the Trustees of the Trust, including a majority of the Trustees who

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS      MASSMUTUAL PARTICIPATION INVESTORS  
(CONTINUED)

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.

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The consolidated financial statements include private placement restricted securities valued at \$85,334,802 (76.80% of net assets) as of March 31, 2005 whose values have been determined by the Board of Trustees in the absence of readily ascertainable market values. Due to the inherent uncertainty of valuation, those values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

The values for corporate public securities are stated at the last reported sales price or at prices based upon quotations obtained from brokers and dealers as of March 31, 2005, subject to discount where appropriate, and are approved by the Trustees.

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

### B. Accounting for Investments:

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

Discounts and premiums on securities purchased are amortized, over the lives of the respective securities. Realized gains and losses on investment transactions and unrealized appreciation and depreciation of investments are reported for financial statement and federal income tax purposes on the identified cost method.

### 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:

No provision for federal income taxes on net investment income and short-term capital gains is considered necessary for the Trust because it is a "regulated investment company" under the Internal Revenue Code, and intends to maintain this qualification by, among other things, distributing substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that Trustees either designate the net realized long-term gains as undistributed and pay the federal capital gains taxes thereon, or distribute all or a portion of such net gains.

The Trust is taxed as a regulated investment company and is therefore limited as to the amount of non-qualified income that it may receive as the result of operating a trade or business, e.g. the Trust's pro rata share of income allocable to the Trust by a partnership operating company. The Trust's violation of this limitation could result in the loss of its status as a regulated investment company, thereby subjecting all of its net income and capital gains to corporate taxes prior to distribution to its shareholders. The Trust, from time-to-time, identifies investment opportunities in the securities of entities that could cause such trade or

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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 three months ended March 31, 2005 the MMPI Subsidiary Trust has accrued tax expense on net realized and unrealized gains of \$81,426 and \$241,386, respectively.

### E. Distributions to Shareholders:

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

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

### 3. INVESTMENT ADVISORY AND ADMINISTRATIVE SERVICES FEE

Under an Investment Advisory and Administrative Services Contract (the "Contract") with the Trust, Babson Capital has agreed to use its best efforts to present to the Trust a continuing and suitable investment program consistent with the investment objectives and policies of the Trust. Babson Capital has further agreed that it will request each issuer of securities which MassMutual is prepared to purchase in a negotiated private placement, and which would be consistent with the investment objectives and policies of the Trust, to also offer such securities to the Trust. Babson Capital will use its best efforts to insure that issuers accede to such requests. MassMutual has agreed that, subject to such orders of the Securities and Exchange Commission as may apply, it will invest concurrently with the Trust in any such investment. Babson Capital represents the Trust in any negotiations with issuers, investment banking firms, securities brokers or dealers and other institutions or investors relating to the Trust's investments. Under the contract, Babson Capital provides administration of the day-to-day operations of the Trust and provides the Trust with office space and office equipment, accounting and bookkeeping services, and necessary executive, clerical and secretarial personnel for the performance of the foregoing services.

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

### 4. SENIOR SECURED INDEBTEDNESS:

#### A. NOTE PAYABLE

MassMutual holds the Trust's \$12,000,000 Senior Fixed Rate Convertible Note

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(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 three months ended March 31, 2005, the Trust incurred total interest expense on the Note of \$174,000.

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

### B. REVOLVING CREDIT AGREEMENT

The Trust entered into a \$15,000,000 Revolving Credit Agreement with Fleet National Bank (the "Agent Bank") dated May 29, 1997, which had a stated maturity on May 31, 2004. The maturity date of this loan was extended to May 31, 2007, and its terms amended and restated pursuant to the First Amended and Restated Revolving Credit Agreement (the "Revolver") dated May 27, 2004, between the Trust and the Agent Bank.

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

As of March 31, 2005, there was \$10,500,000 in outstanding loans against the Revolver and the average blended rate of interest attributable to the Revolver was 2.93%. For the three months ended March 31, 2005, the Trust incurred total interest expense on the Revolver of \$77,011, plus \$2,774 related to the undrawn portion.

### 5. PURCHASES AND SALES OF INVESTMENTS

	For the three months ended 3/31/2005	
	Cost of Investments Acquired	Proceeds from Sales or Maturities
Corporate restricted securities	\$ 7,454,659	\$ 9,829,745
Corporate public securities	1,322,144	2,553,902
Short-term securities	104,800,104	101,374,000

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The aggregate cost of investments was substantially the same for financial reporting and federal income tax purposes as of March 31, 2005. The net unrealized appreciation of investments for federal tax purposes as of March 31, 2005 is \$427,130 and consists of \$13,124,800 appreciation and \$12,697,670 depreciation.

### 6. CONTINGENCIES

The Trust, together with other investors including MassMutual, is a plaintiff in litigation related to private placement investments made by the Trust in Sharp International Corporation ("Sharp"). Three managing shareholders of Sharp, which is currently being liquidated in a Chapter 11 proceeding, have pleaded guilty to criminal fraud charges. A civil lawsuit was brought by the Trust and the other investors in New York state court to recover damages for lost investment funds from Sharp's auditors. A settlement of the lawsuit against Sharp's auditors has been agreed to by the parties to this lawsuit, including the Trust, subject to state court approval. Under the terms of the settlement agreement, the Trust will recover all legal fees it incurred to prosecute the lawsuit, as well as additional amounts. A related lawsuit brought by the Trustee of the Sharp bankruptcy estate against Sharp's auditors on behalf of unsecured creditors including the Trust has also been settled, subject to approval by the U.S. Bankruptcy Court. If this settlement is approved by the Bankruptcy Court, as expected, the Trust will receive its pro rata share of the settlement proceeds distributed by the Bankruptcy Trustee to Sharp's unsecured creditors. Total net proceeds to be distributed to the Trust as a result of the settlement of these two lawsuits against Sharp's auditors are expected to be approximately \$750,000, subject to Bankruptcy Court approval and final adjustments related to litigation costs.

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#### TRUSTEES

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DONALD E. BENSON\*  
DONALD GLICKMAN  
MARTIN T. HART\*  
ROBERT E. JOYAL  
JACK A. LAUGHERY  
CORINE T. NORGAARD\*  
STUART H. REESE

[LOGO]

#### OFFICERS

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STUART H. REESE           CHAIRMAN  
ROGER W. CRANDALL       PRESIDENT  
CHARLES C. MCCOBB, JR.   VICE PRESIDENT &  
  CHIEF FINANCIAL  
  OFFICER  
STEPHEN L. KUHN          VICE PRESIDENT &  
  SECRETARY  
MICHAEL P. HERMSEN       VICE PRESIDENT  
MARY WILSON KIBBE       VICE PRESIDENT  
MICHAEL L. KLOFAS       VICE PRESIDENT  
CLIFFORD M. NOREEN      VICE PRESIDENT  
RICHARD E. SPENCER, II   VICE PRESIDENT  
JAMES M. ROY             TREASURER

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JOHN T. DAVITT, JR.  
MARY ELLEN WESNESKI

COMPTROLLER  
CHIEF COMPLIANCE  
OFFICER

\* MEMBER OF THE AUDIT COMMITTEE

## DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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

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

Whenever the Trust declares a dividend payable in cash or shares, the Transfer Agent, acting on behalf of each participating shareholder, will take the dividend in shares only if the net asset value is lower than the market price plus an estimated brokerage commission as of the close of business on the valuation day. The valuation day is the last day preceding the day of dividend payment. When the dividend is to be taken in shares, the number of shares to be received is determined by dividing the cash dividend by the net asset value as of the close of business on the valuation date or, if greater than net asset value, 95% of the closing share price. If the net asset value of the shares is higher than the market value plus an estimated commission, the Transfer Agent, consistent with obtaining the best price and execution, will buy shares on the open market at current prices promptly after the dividend payment date.

The reinvestment of dividends does not, in any way, relieve participating shareholders of any federal, state or local tax. For federal income tax purposes, the amount reportable in respect of a dividend received in newly issued shares of the Trust will be the fair market value of the shares received, which will be reportable as ordinary income and/or capital gains.

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

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

anks, trust companies and clearing corporations. In the United States, Clearstream, Luxembourg customers are limited to securities brokers and dealers and banks. Clearstream, Luxembourg customers may include the underwriters. Other institutions that maintain a custodial relationship with a Clearstream, Luxembourg customer may obtain indirect access to Clearstream, Luxembourg. Clearstream, Luxembourg is an indirect participant in DTC.

Distribution with respect to the notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

#### *The Euroclear System*

The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including United States dollars and Euros. The Euroclear System provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries in a manner generally similar to the arrangements for cross-market transfers with DTC described above.

The Euroclear System is operated by Euroclear Bank S.A./N.V. (the Euroclear Operator ), under contract with Euroclear Clearance System, S.C., a Belgian cooperative corporation (the Cooperative ). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear system on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.



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The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

- transfers of securities and cash within the Euroclear System;
- withdrawal of securities and cash from the Euroclear System; and
- receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator.

The foregoing information about DTC, Euroclear and Clearstream, Luxembourg has been provided by each of them for information purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the notes among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Vale Overseas, nor the trustee nor any of the trustee's agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a note in global form is lodged with DTC or the custodian, notes represented by individual definitive notes will not be eligible for clearing or settlement through DTC, Euroclear or Clearstream, Luxembourg.

## **Individual Definitive Notes**

Registration of title to notes in a name other than DTC or its nominee will not be permitted unless (i) DTC has notified us that it is unwilling or unable to continue as depository for the notes in global form or the depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when DTC is required to be so registered in order to act as depository, and, in each case, we do not or cannot appoint a successor depository within 90 days or (ii) Vale Overseas decides in its sole discretion to allow some or all book-entry notes to be exchangeable for definitive notes in registered form. In such circumstances, Vale Overseas will cause sufficient individual definitive notes to be executed and delivered to the registrar for completion, authentication and dispatch to the relevant holders of notes. Payments with respect to definitive notes may be made through the transfer agent. A person having an interest in the notes in global form must provide the registrar with a written order containing instructions and such other information as the registrar and we may require to complete, execute and deliver such individual definitive notes.

If Vale Overseas issues notes in certificated form, holders of notes in certificated form will be able to transfer their notes, in whole or in part, by surrendering the notes, with a duly completed form of transfer, for registration of transfer at the office of the transfer agent, The Bank of New York Mellon. Vale Overseas will not charge any fee for the registration or transfer or exchange, except that it may require the payment of a sum sufficient to cover any applicable tax or other governmental charge payable in connection with the transfer.

All money paid by Vale Overseas to the paying agents for the payment of principal and interest on the notes which remains unclaimed at the end of two years after the amount is due to a holder will be repaid to Vale Overseas, and thereafter holders of notes in certificated form may look only to Vale Overseas and Vale for payment.

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**CERTAIN TAX CONSIDERATIONS**

The following discussion summarizes certain Cayman Islands, Brazilian, and U.S. federal income tax considerations that may be relevant to the ownership and disposition of the notes acquired in this offering for the original price. This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

**Cayman Islands Tax Considerations**

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to Vale Overseas or any holder of notes. Accordingly, payment of principal of and interest on the notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of a note and gains derived from the sale of notes will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to any double taxation treaties.

Vale Overseas has received an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with section 6 of the Tax Concession Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to Vale Overseas or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the shares, debentures or other obligations of Vale Overseas or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by Vale Overseas to its members or a payment of principal or interest or other sums due under a debenture or other obligation of Vale Overseas.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount thereof may be payable on each note (up to a maximum of 250 Cayman Islands dollars ( CI\$ ) (US\$312.50)) unless stamp duty of CI\$500 (US\$625) has been paid in respect of the entire issue of notes.

The above conversions of Cayman Islands dollars to U.S. dollars have been made on the basis of US\$1.25 = CI\$1.00.

**Brazilian Tax Considerations**

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the notes by an individual, a company, a trust, an organization or any other entity considered as resident or domiciled outside Brazil for tax purposes (a Non-resident Holder ). The discussion contained herein is based on the tax laws of Brazil as in effect on the date hereof and is subject to possible changes in Brazilian law that may come into effect after such date.

The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the notes. Prospective investors should consult their own tax advisers as to the consequences of purchasing the notes, including, without limitation, the consequences of the receipt of interest and the sale, redemption or repayment of the notes.

*Payments on the Notes Made by Vale Overseas*

Generally, a Non-resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the sale or disposition of assets located in Brazil. Therefore, based on the fact that Vale Overseas is considered for tax purposes as a company domiciled abroad, any income (including interest and original issue discount) paid by Vale Overseas in respect of the notes in favor of Non-resident Holders will not be subject to any withholding or deduction in respect of Brazilian income tax or any other Brazilian

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taxes, duties, assessments or governmental charges, provided that such payments are made with funds held by Vale Overseas outside of Brazil.

### ***Sale of the Notes***

In the event a Non-resident Holder sells the notes, such sale would not trigger any Brazilian tax consequences to the Non-resident Holder.

### ***Other Brazilian Taxes***

Generally, there are no inheritance, gift, succession, stamp, or other similar taxes in Brazil with respect to the ownership, transfer, assignment or any other disposition of the notes by a Non-resident Holder, except for gift inheritance taxes imposed by some Brazilian states on gifts or bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

### ***Payments on the Notes Made by Vale***

If a payment is made to a Non-resident Holder from a Brazilian source in respect of the notes, such as by Vale, such payment may be subject, in whole or in part, to income tax withheld at source at a rate of up to 25%.

In the event of withholding or deduction for or on account of Brazilian taxes, Vale Overseas and Vale will, subject to certain exceptions, pay additional amounts in respect of such withholding or deduction so that the net amount received by the holder after such withholding or deduction equals the amount of principal or interest that would have been received in the absence of such withholding or deduction. Please note, however, that Vale Overseas and Vale may redeem the notes in case any of them is obligated to pay additional amounts on the notes in respect of Brazilian or Cayman Islands withholding taxes at a rate in excess of 15%; see *Description of the Notes Payment of Additional Amounts* in this prospectus supplement and *Description of the Debt Securities Payment of Additional Amounts* in the accompanying prospectus.

## **United States Tax Considerations**

*The following summary sets forth certain U.S. federal income tax consequences of the purchase, ownership and disposition of the notes. This summary is based upon existing U.S. federal income tax law as at the date of this offering memorandum, which is subject to change, possibly with retroactive effect, and different interpretations. This summary does not purport to discuss all aspects of U.S. federal income taxation which may be relevant to the particular circumstances of investors, and does not apply to investors subject to special tax rules, such as financial institutions, insurance companies, dealers in securities or currencies, traders in securities or currencies electing to mark their positions to market, regulated investment companies, U.S. expatriates, tax-exempt organizations, persons holding notes as part of a position in a straddle or as part of a hedging transaction, constructive sale or conversion transaction for U.S. tax purposes, investors whose functional currency is not the dollar or persons who own, directly or indirectly, 10 percent or more of our voting power. In addition, this summary does not discuss any foreign, state or local tax considerations, or any aspect of U.S. federal tax law other than income taxation. This summary only applies to holders that purchase notes at initial issuance for an amount of cash equal to their issue price and that hold the notes as capital assets (generally, property held for investment) within the meaning of the U.S. Internal Revenue Code of 1986, as amended (the Code). Prospective investors should consult their own tax advisers regarding the U.S. federal, state and local, as well as foreign income and other, tax considerations of investing in the notes.*

For purposes of this summary, a U.S. Holder means a beneficial owner of notes who is (i) an individual that is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United

States, or any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or certain electing trusts that were in existence on

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August 20, 1996, and were treated as domestic trusts on August 19, 1996, or (v) otherwise subject to U.S. federal income tax on a net income basis.

If an entity treated as a partnership for U.S. federal income tax purposes holds notes, the tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold notes and partners in such partnerships should consult their tax advisers about the U.S. federal income tax consequences of purchasing, holding and disposing of notes.

### ***Payments of Stated Interest***

Payments of stated interest on the notes (including any additional amounts and withheld taxes) generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued in accordance with the U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest income in respect of the notes generally will constitute foreign-source income for purposes of computing the foreign tax credit allowable under the U.S. federal income tax laws. The limitation on foreign income taxes eligible for credit is calculated separately with respect to specific classes of income. In this regard, interest income in respect of the notes will constitute passive category income for most U.S. Holders for foreign tax credit purposes.

Subject to generally applicable restrictions and conditions, if any foreign income taxes are withheld on interest payments on the notes, a U.S. Holder generally will be entitled to a foreign tax credit in respect of any such foreign income taxes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules regarding foreign tax credits and deduction of foreign income taxes are complex, so U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions in respect of foreign income taxes based on their particular circumstances.

### ***Disposition of Notes***

A U.S. Holder will generally recognize taxable gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of a note in an amount equal to the difference between the amount realized upon such sale, exchange, retirement or other disposition (reduced by an amount attributable to accrued but unpaid stated interest, which is taxable in the manner described above under *Payments of Stated Interest*) and such U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note will generally equal such U.S. Holder's initial investment in the note. Such gain or loss will generally be long-term capital gain or loss if the note is held for more than one year. Certain U.S. Holders (including individuals) may be eligible for preferential tax rates in respect of long-term capital gain, which rates currently are scheduled to increase on January 1, 2011. The deductibility of capital losses by U.S. Holders is subject to limitations.

If any foreign income tax is withheld on the sale or other taxable disposition of a note, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale or other taxable disposition before deduction of such tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale or other taxable disposition of the notes generally will be treated as U.S.-source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of a note that is subject to foreign income tax, the U.S. Holder may not be able to benefit from a foreign tax credit for the tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the foreign income tax if the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid during the taxable year.

### ***Backup Withholding and Information Reporting***

Payment on the notes and sales or redemption proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) the holder is a corporation or other exempt recipient or (ii) in the case of backup

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withholding, the holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Any amounts withheld under the backup withholding rules from a payment to a holder will be refunded (or credited against such holder's U.S. federal income tax liability, if any), provided the required information is timely furnished to the U.S. Internal Revenue Service.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending on a holder's particular situation. Holders should consult their tax advisers with respect to the tax consequences to them of the beneficial ownership and disposition of the notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal and other tax laws.

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**Table of Contents****UNDERWRITING**

Vale Overseas intends to offer the notes through Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and J.P. Morgan Securities Inc., the underwriters. Subject to the terms and conditions contained in a terms agreement between the underwriters, Vale Overseas and Vale, Vale Overseas has agreed to sell to the underwriters and the underwriters have agreed to purchase, severally and not jointly, from Vale Overseas, the principal amount of the notes listed below opposite each of their names.

<b>Underwriter</b>	<b>Principal Amount of Notes (US\$)</b>
Deutsche Bank Securities Inc.	333,334,000
HSBC Securities (USA) Inc.	333,333,000
J.P. Morgan Securities Inc.	333,333,000
<b>Total</b>	<b>1,000,000,000</b>

The underwriters have agreed to purchase all of the notes sold pursuant to the terms agreement if any of these notes are purchased. If the underwriters default, the terms agreement provides that the purchase agreement may be terminated.

Vale Overseas and Vale have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

Vale Overseas and Vale have agreed that Vale Overseas will not, during a period of 30 days from the date of this prospectus supplement, without the written consent of the underwriters, directly or indirectly, issue, sell, offer or contract to sell, grant any option or warrant for the sale of, or otherwise transfer or dispose of, any debt securities of Vale Overseas.

The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the terms agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commissions and Discounts**

The underwriters have advised Vale Overseas that they propose initially to offer the notes to the public at the public offering price on the cover page of this prospectus. After the initial public offering, the public offering price may be changed. The expenses of the offering, not including the underwriting discount, are estimated to be US\$2 million and are payable by Vale Overseas.

**Trading Market**

Application will be made to list the notes on the New York Stock Exchange in accordance with the rules and regulations of the New York Stock Exchange, subject to the satisfaction of its minimum listing standards. Vale

Overseas does not intend to apply for listing of the notes on any other securities exchange or for quotation of the notes on any automated dealer quotation system. The underwriters have advised us that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of any trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

**Price Stabilization and Short Positions**

In connection with the offering, the underwriters are permitted to engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of

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the notes. If the underwriters create a short position in the notes in connection with the offering, i.e., if they sell more notes than are on the cover page of this prospectus, the underwriters may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the underwriters nor we make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither the underwriters nor we make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **Selling Restrictions**

The distribution of this prospectus supplement and the accompanying prospectus may be restricted by law in certain jurisdictions. Persons into whose possession this prospectus supplement and the accompanying prospectus come must inform themselves of and observe any of these restrictions.

This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation.

## ***EEA Selling Restrictions***

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a relevant member state ), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive (as defined below) is implemented in that relevant member state (the relevant implementation date ) it has not made and will not make an offer of the notes to the public in that relevant member state prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that it may, with effect from and including the relevant implementation date, make an offer of the notes to the public in that relevant member state at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or
- (d) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this section, the expression an offer of the notes to the public in relation to any notes in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the

same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and references to the Prospectus Directive mean Directive 2003/71/EC of the European Parliament and of the Council of the European Union of November 4, 2003, and include any relevant implementing measure in each relevant member state.

*Austria*

Neither this prospectus supplement nor the accompanying prospectus has been or will be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. None of this

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prospectus supplement, the accompanying prospectus or any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and none of this prospectus supplement, the accompanying prospectus or any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria, save as specifically agreed with the underwriters. No steps may be taken that would constitute a public offering of the notes in Austria and the offering of the notes may not be advertised in Austria. Each underwriter has represented and agreed that it will offer the notes in Austria only in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the notes in Austria.

*Belgium*

This prospectus supplement and the accompanying prospectus are not intended to constitute a public offer in Belgium and may not be distributed to the public in Belgium. The Belgian Commission for Banking, Finance and Insurance has not reviewed nor approved this prospectus supplement and the accompanying prospectus or commented as to their accuracy or adequacy or recommended or endorsed the purchase of the notes.

Each underwriter has agreed that it will not:

- (a) offer for sale, sell or market in Belgium such notes by means of a public offer within the meaning of the Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market; or
- (b) sell notes to any person qualifying as a consumer within the meaning of Article 1.7 of the Belgian law of 14 July 1991 on consumer protection and trade practices unless such sale is made in compliance with this law and its implementing regulation.

*Ireland*

Each underwriter has represented and agreed that it will not underwrite or place the notes in or involving Ireland otherwise than in conformity with the provisions of the Intermediaries Act 1995 of Ireland (as amended) including, without limitation, Sections 9 and 23 (including advertising restrictions made thereunder) thereof and the codes of conduct made under Section 37 thereof.

*Italy*

The offering of the notes has not been registered with the Commissione Nazionale per le Società e la Borsa (the CONSOB ) pursuant to Italian securities legislation and, accordingly, each underwriter has represented that it has not offered, sold or delivered any notes or distributed copies of this prospectus supplement, the accompanying prospectus or any other document relating to the notes in the Republic of Italy and will not offer, sell or deliver any notes or distribute copies of this prospectus supplement, the accompanying prospectus or any other document relating to the notes in the Republic of Italy other than to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended.

Any offer, sale or delivery of the notes or distribution of copies of this prospectus supplement, accompanying prospectus or any other document relating to the notes in the Republic of Italy must be (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 58 of February 24, 1998 (Financial Services Act) and Legislative Decree No. 385 of 1st September, 1993 (the Banking Act); (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy; and (c) in compliance with any other applicable laws and regulations.

In any case the notes shall not be placed, sold or offered either in the primary or the secondary market to individuals residing in Italy.

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*Portugal*

Each underwriter has represented and agreed that:

no document, circular, advertisement or any offering material in relation to the notes has been or will be subject to approval by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, the CMVM );

it has not directly or indirectly taken any action or offered, advertised or sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any notes in circumstances which could qualify as a public offer (*oferta pública*) pursuant to the Portuguese Securities Code (*Código dos Valores Mobiliários*), and/or in circumstances which could qualify the issue of the notes as an issue or public placement of securities in the Portuguese market;

it has not, directly or indirectly, distributed and will not, directly or indirectly, distribute to the public this prospectus supplement or accompanying prospectus, or any document, circular, advertisements or any offering material;

all offers, sales and distributions of the notes have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code, qualify as a private placement of notes (*oferta particular*), all in accordance with the Portuguese Securities Code;

pursuant to the Portuguese Securities Code the private placement in Portugal or to Portuguese residents of notes by public companies (*sociedades abertas*) or by companies that are issuers of securities listed on a market must be notified to the CMVM for statistical purposes; and

it will comply with all applicable provisions of the Portuguese Securities Code and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer or sales of the notes by it in Portugal.

Each underwriter has represented and agreed that it shall comply with all applicable laws and regulations in force in Portugal and with the Prospectus Directive regarding the placement of any notes in the Portuguese jurisdiction or to any entities which are resident in Portugal, including the publication of a prospectus, when applicable, and that such placement shall only be authorized and performed to the extent that there is full compliance with such laws and regulations.

*United Kingdom*

Each underwriter has represented, warranted and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to Vale Overseas or Vale; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

*Switzerland*



The offering and sale of the notes will be made in Switzerland on the basis of a private placement, not as a public offering. The notes will not be listed on the SWX Swiss Exchange. Neither this prospectus supplement nor the accompanying prospectus, therefore, constitutes a prospectus within the meaning of Art. 652a or 1156 of the Swiss Federal Code of Obligations or Arts. 32 et seq. of the Listing Rules of the SWX Swiss Exchange.

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*Hong Kong*

This prospectus supplement and the accompanying prospectus have not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance or to any persons in the circumstances referred to in clause (b) above.

*Singapore*

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore, and the notes will be offered in Singapore pursuant to the exceptions under Section 274 and Section 275 of the Securities and Futures Act of Singapore, Chapter 289 (the SFA). Accordingly, this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the SFA, (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

None of this prospectus supplement, the accompanying prospectus or any other offering material distributed by any of the underwriters relating to the notes has been or will be registered as a prospectus with the Monetary Authority of Singapore, and the notes will be offered in Singapore pursuant to the exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA. Accordingly, this prospectus supplement, the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person under Section 275(1) and/or any person under Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

*Brazil*

The underwriters have not offered or sold, and will not offer or sell any notes in Brazil, except in circumstances that do not constitute a public offering or unauthorized distribution under Brazilian laws and regulations. The notes have not been, and will not be, registered with the *Comissão de Valores Mobiliários*.

*Cayman Islands*

None of the notes may be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in the Cayman Islands.

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*Canada*

***Resale Restrictions***

This prospectus supplement constitutes an offering of the securities described herein only in the Province of Ontario and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell such securities. This prospectus supplement is not, and under no circumstances is, to be construed as an advertisement or a public offering of the securities described herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this prospectus supplement or the merits of the securities described herein, and any representation to the contrary is an offence. The distribution of Notes in the Province of Ontario is made on a private placement basis only and is exempt from the requirement that we prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of interests in the notes must be made in accordance with applicable securities laws, which may require resales to be made in accordance with an exemption from the prospectus requirements. Prospective purchasers of Notes are advised to seek legal advice prior to any resale of such interests.

We are not a reporting issuer, as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada. Prospective Canadian investors are advised that we currently do not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the notes to the public, or to make us a reporting issuer, in any province or territory of Canada.

***Representations of Purchasers***

By virtue of placing an order to purchase the notes, each prospective Canadian investor who purchases the notes will be deemed to have represented to us and the dealer with whom the order was placed that such purchaser (i) is an accredited investor as defined in section 1.1 of National Instrument 45-106 Prospectus and Registration Exemptions (NI 45-106); (ii) where required by law, such purchaser is purchasing as principal; (iii) has not been created or used solely to purchase or hold securities as an accredited investor; (iv) has reviewed and acknowledges the terms referred to above under Resale Restrictions; and (v) in the case of an investor resident in Ontario, that such investor, or any ultimate investor for which such investor is acting as agent (1) is an accredited investor, other than an individual, as defined in section 1.1 of NI 45-106 and is purchasing the notes from a dealer registered in the province of Ontario as an international dealer within the meaning of section 98 of the Regulation to the Securities Act (Ontario) or (2) is an accredited investor, including an individual as defined in section 1.1 of NI 45-106 and is purchasing the notes from a registered investment dealer or limited market dealer registered in Ontario within the meaning of section 98 of the Regulation to the Securities Act (Ontario).

In addition, each purchaser resident in Ontario, by placing an order to purchase the notes will be deemed to have represented to us and the dealer with whom such order was placed, that such purchaser: (a) has been notified (i) that we may be required to provide information (personal information) pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 (including its name, address, telephone number and the number and value of the notes purchased), which is required to be filed by us under NI 45-106; (ii) that such personal information will be delivered to the OSC in accordance with NI 45-106; (iii) that such personal information is being collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario; (iv) that such personal information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (v) that the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and (b) by purchasing the notes, such purchaser has authorized the indirect collection of the personal information by the OSC. Further, the purchaser acknowledges that its name, address, telephone number and other specified information, including the

number of Notes that it has purchased and the aggregate purchase price to the purchaser, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with

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the requirements of applicable laws. By placing an order to purchase the notes the purchaser consents to the disclosure of such information.

Prospective Canadian investors should consult with their own legal and tax advisers with respect to the tax consequences of an investment in the Note in their particular circumstances and with respect to the eligibility of the notes for investment by such prospective investor under relevant Canadian legislation and regulations.

### ***Statutory Right of Action***

Securities legislation in certain Canadian provinces provides purchasers of securities offered under this prospectus supplement and the accompanying prospectus (the Offering Documents ) with certain rights of action if the Offering Documents contain a misrepresentation. For these purposes, a misrepresentation means an untrue statement of a material fact or an omission to state a material fact that is necessary in order to make any statement not misleading in light of the circumstances in which it was made.

### ***Ontario***

Section 130.1 of the Securities Act (Ontario) provides that if the Offering Documents, together with any amendment thereto, contains a misrepresentation, a prospective investor in the Province of Ontario who has purchased a security offered by the Offering Documents during the period of its distribution shall have, without regard to whether such prospective investor relied upon the misrepresentation, a right of action for damages against us or, at the election of the investor, a right of rescission against us (in which case such investor shall cease to have a right of action for damages against us), provided that: no action may be commenced to enforce a right of action: (i) for rescission more than 180 days after the date of the purchase; and (ii) for damages later than the earlier of: (A) 180 days after the investor first had knowledge of the facts giving rise to the cause of action; and (B) three years after the date of purchase;

- (a) we will not be liable if it proves that the investor purchased the security with knowledge of the misrepresentation;
- (b) in an action for damages, we will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation;
- (c) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (d) this right of action is in addition to and without derogation from any other right the investor may have at law.

The foregoing rights do not apply if the investor is: (a) a Canadian financial institution (as defined in NI 45-106) or a Schedule III bank; (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

The foregoing summary is subject to the express provisions of the Securities Act (Ontario) and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions contained therein. Such provisions may contain limitations and statutory defences on which we may rely.

### ***Enforcement of Legal Rights***

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

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***Forward-Looking Information***

These Offering Documents may contain forward looking information ( FLI ) as such term is defined in section 1.1 of the Securities Act (Ontario), FLI is disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action and includes future oriented financial information ( FOFI ) with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. FOFI is FLI about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, and presented in the format of a historical balance sheet, income statement or cash flow statement. Similarly, a financial outlook is FLI about prospective results of operations, financial position or cash flows that is based on assumptions about future economic conditions and courses of action that is not presented in the format of a historical balance sheet, income statement or cash flow statement. Actual results may vary from the FLI contained in the Offering Documents as such information is subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from expectations. Material risk factors that could affect actual results are identified under the heading Risk Factors . Investors are also cautioned that FLI is based on a number of factors and assumptions, including current plans, estimates opinions and analysis made in light of its experience, current conditions, and expectations of future developments, as well as other relevant factors.

This offering is being made by a non-Canadian issuer using disclosure documents prepared in accordance with non-Canadian securities laws. Prospective purchasers should be aware that these requirements may differ significantly from those in Ontario. The FLI included or incorporated by reference herein may not be accompanied by the disclosure and explanations that would be required of a Canadian issuer under Ontario securities law.

Canadian investors should not rely on any FLI that may be contained within these Offering Documents as such information is subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from expectations. Upon receipt of these Offering Documents, each Canadian investor will be deemed to have acknowledged and agreed that any FLI included herein should not be considered material for the purposes of and may not have been prepared and/or presented consistent with National Instrument 51-102 Continuous Disclosure Obligations ( NI 51-102 ) and that the investor will not receive any additional information regarding such FLI during any period that Vale or Vale Overseas is not a reporting issuer in any province or territory in Canada, other than as required under applicable securities laws in the province of Ontario.

**Other Relationships**

The underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.



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**VALIDITY OF THE NOTES**

The validity of the notes, including the guaranty, offered and sold in this offering will be passed upon for Vale Overseas and Vale by Cleary Gottlieb Steen & Hamilton LLP and for the underwriters by Gibson, Dunn & Crutcher LLP. Certain matters of Cayman Islands law relating to the notes will be passed upon by Harney Westwood & Riegels, Cayman Islands counsel for Vale and Vale Overseas. Certain matters of Brazilian law relating to the notes will be passed upon by Mr. Fabio Eduardo de Pieri Spina, the general counsel of Vale. Pinheiro Guimarães Advogados will pass upon certain matters of Brazilian law relating to the notes for the underwriters.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference herein is considered to be part of this prospectus supplement, and certain later information that we file with the SEC will automatically update and supersede earlier information filed with the SEC or included in this prospectus supplement. We incorporate by reference the following documents:

our annual report on Form 20-F for the fiscal year ended December 31, 2008, filed with the SEC on April 28, 2009 (File No. 001-15030);

our report on Form 6-K furnished to the SEC on October 29, 2009 (File No. 011-15030) disclosing (i) certain recent developments, including our 2010 budget for capital expenditures; (ii) our results of operations for the nine months ended September 30, 2009 and 2008; and (iii) our unaudited condensed consolidated interim financial information as of September 30, 2009 and December 31, 2008 and for the three-month periods ended September 30, 2009, June 30, 2009, and September 30, 2008 and for the nine-month periods ended September 30, 2009 and 2008;

our report on Form 6-K furnished to the SEC on July 6, 2009 (File No. 001-15030) containing our (i) revised selected financial data and (ii) revised audited consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006;

We will provide without charge to each person to whom a copy of this prospectus supplement is delivered, upon the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference in such documents). Requests should be directed to Vale's Investor Relations Department, Avenida Graça Aranha, No. 26, 12th floor, 20030-900 Rio de Janeiro, RJ, Brazil (telephone no: 55 21-3814-4540).

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**Vale Overseas Limited**

**US\$1,000,000,000 6.875% Guaranteed Notes due 2039**

*Unconditionally Guaranteed by*

**Vale S.A.**

**PROSPECTUS SUPPLEMENT**

**Deutsche Bank Securities**

**HSBC**

**J.P. Morgan**

**November 3, 2009**