

MASSMUTUAL PARTICIPATION INVESTORS

Form N-30D

November 28, 2006

MASSMUTUAL  
PARTICIPATION INVESTORS

Report for the  
Nine Months Ended September 30, 2006

[LOGO]

ADVISER

BABSON CAPITAL MANAGEMENT LLC  
1500 Main Street  
Springfield, Massachusetts 01115

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP  
Boston, Massachusetts 02110

COUNSEL TO THE TRUST

Ropes & Gray LLP  
Boston, Massachusetts 02110

CUSTODIAN

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

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TRANSFER AGENT & REGISTRAR

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

INTERNET WEBSITE: WWW.BABSONCAPITAL.COM/MPV

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

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### INVESTMENT OBJECTIVE AND POLICY

MassMutual Participation Investors (the "Trust") is a closed-end management investment company, first offered to the public in 1988, whose shares are traded on the New York Stock Exchange under the trading symbol "MPV". The Trust's share price can be found in the financial section of most newspapers as "MassPrt" or "MassMuPrt" under the New York Stock Exchange listings.

The Trust's investment objective is to maximize total return by providing a high level of current income, the potential for growth of income, and capital appreciation. The Trust's principal investments are privately placed, below-investment grade, long-term corporate debt obligations purchased directly from their issuers, which tend to be smaller companies. At least half of these investments normally include equity features such as warrants, conversion rights, or other equity features that provide the Trust with the opportunity to realize capital gains. The Trust will also invest in publicly traded debt securities (including high yield securities), again with an emphasis on those with equity features, and in convertible preferred stocks and, subject to certain limitations, readily marketable equity securities. In addition, the Trust may temporarily invest in high quality, readily marketable securities.

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

### FORM N-Q

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

### PROXY VOTING POLICIES & Procedures; PROXY VOTING RECORD

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital. A description of Babson Capital's proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 866-399-1516; (2) on the Trust's website: [http:// www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv); and (3) on the SEC's

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website: <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (1) on the Trust's website: <http://www.babsoncapital.com/mpv>; and (2) on the SEC's website: <http://www.sec.gov>.

MPV  
Listed  
NYSE

TO OUR SHAREHOLDERS

October 31, 2006

The following is the September 30, 2006 Quarterly Report of MassMutual Participation Investors (the "Trust"). The Trust's Board of Trustees declared a quarterly dividend of 24 cents per share, payable on November 14, 2006, to shareholders of record on October 30, 2006. A dividend of 24 cents per share was paid in the previous quarter.

U.S. equity markets, as measured by several broad market indices, increased during the quarter ended September 30, 2006. Large stocks, as approximated by the Dow Jones Industrial Average, increased 5.37%, while smaller stocks, as approximated by the Russell 2000 Index, increased 0.44%. For the nine months ended September 30, 2006, returns were 7.73% and 8.69%, respectively. U.S. fixed income markets, as measured by selected indices, posted increased returns during the quarter. The Lehman Brothers Government/Credit Index and the Lehman Brothers U.S. Corporate High Yield Index increased 3.91% and 4.07%, respectively, for the quarter. For the nine months ended September 30, 2006, returns were 2.71% and 7.34%, respectively.

For the quarter ended September 30, 2006, the Trust earned 26 cents per share. The Trust earned 26 cents per share in the previous quarter this year. The Trust's net assets as of September 30, 2006 totaled \$132,677,953 or \$13.55 per share compared to \$129,932,933 or \$13.29 per share on June 30, 2006. This translated into a portfolio return of 3.81% for the quarter and 15.13% for the nine months ended September 30, 2006 based on the change in the Trust's net assets assuming the reinvestment of all dividends. Long term, the Trust's portfolio had average annualized returns of 23.31%, 18.89%, and 14.45% for the 1-, 5-, and 10- year periods ended September 30, 2006, respectively, based on the change in net assets assuming reinvestment of all dividends.

During the quarter, the Trust made private placement investments in four new issuers and closed two "follow on" investments, totaling approximately \$4.7 million. The follow on investments purchased by the Trust were in MicroGroup, Inc. and Terra Renewal Services, Inc. The four issuers added to the portfolio were Momentum Holding Co., Morton Industrial Group, Inc., P A S Holdco LLC, and Stanton Carpet Holding Co. The weighted average coupon of these investments was 12.37%. (A brief description of these investments can be found in the Consolidated Schedule of Investments.)

Finally, the Trust is sad to report the passing of our good friend and colleague Jack Laughery. Jack had loyally served the Trust and its shareholders as a Trustee for over 10 years. His contributions and wit will be missed.

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

Sincerely,

/s/ Clifford M. Noreen

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Clifford M. Noreen  
President

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[PIE CHART APPEARS HERE]

## PORTFOLIO COMPOSITION AS OF 09/30/06\*

Private/Restricted Equity 14.7%  
Cash & Short Term Investments 8.9%  
Public High Yield Debt 23.5%  
Private High Yield Debt 46.7%  
Public Equity 0.1%  
Private Investment Grade Debt 6.1%

\*Based on market value of total investments  
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## CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

## MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

### Assets:

#### Investments

(See Consolidated Schedule of Investments)

|  |               |
|--|---------------|
| Corporate restricted securities at fair value<br>(Cost - \$98,757,888) | \$ 98,586,743 |
| Corporate public securities at market value<br>(Cost - \$34,462,744)   | 34,383,132    |
| Short-term securities at amortized cost                                | 8,599,658     |
|  | -----         |

141,569,533

|                                 |           |
|---------------------------------|-----------|
| Cash                            | 4,422,386 |
| Interest receivable             | 2,764,347 |
| Receivable for investments sold | 1,295,086 |
| Other assets                    | 6,326     |
|                                 | -----     |

|              |                |
|--------------|----------------|
| TOTAL ASSETS | \$ 150,057,678 |
|              | -----          |

### Liabilities:

|                                   |              |
|-----------------------------------|--------------|
| Payable for investments purchased | \$ 4,343,836 |
| Investment advisory fee payable   | 298,525      |
| Note payable                      | 12,000,000   |
| Interest payable                  | 272,282      |
| Accrued expenses                  | 176,779      |
| Accrued taxes payable             | 288,303      |

|                   |            |
|-------------------|------------|
| TOTAL LIABILITIES | 17,379,725 |
|                   | -----      |

|                  |                |
|------------------|----------------|
| TOTAL NET ASSETS | \$ 132,677,953 |
|                  | =====          |

### Net Assets:

Common shares, par value \$.01 per share; an unlimited

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|  |                |
|--|----------------|
| number authorized                                      | \$ 97,911      |
| Additional paid-in capital                             | 90,770,104     |
| Retained net realized gain on investments, prior years | 25,860,275     |
| Undistributed net investment income                    | 3,975,363      |
| Accumulated net realized gain on investments           | 12,396,022     |
| Net unrealized depreciation of investments             | (421,722)      |
|  | -----          |
| TOTAL NET ASSETS                                       | \$ 132,677,953 |
|  | =====          |
| COMMON SHARES ISSUED AND OUTSTANDING                   | 9,791,141      |
|  | =====          |
| NET ASSET VALUE PER SHARE                              | \$ 13.55       |
|  | =====          |

See Notes to Consolidated Financial Statements.

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### CONSOLIDATED STATEMENT OF OPERATIONS                      MASSMUTUAL PARTICIPATION INVESTORS

For the nine months ended September 30, 2006  
(Unaudited)

|   |               |
|---|---------------|
| Investment Income:  |               |
| Interest  | \$ 8,913,480  |
| Dividends   | 500,856       |
|   | -----         |
| TOTAL INVESTMENT INCOME   | 9,414,336     |
|   | -----         |
| Expenses:   |               |
| Investment advisory fees  | 874,216       |
| Interest  | 549,945       |
| Trustees' fees and expenses                                       | 93,000        |
| Reports to shareholders   | 65,000        |
| Professional fees   | 57,000        |
| Transfer agent/registrar's expenses                               | 11,400        |
| Other   | 22,335        |
|   | -----         |
| TOTAL EXPENSES  | 1,672,896     |
|   | -----         |
| INVESTMENT INCOME - net   | 7,741,440     |
|   | -----         |
| Net realized and unrealized gain (loss) on investments:           |               |
| Net realized gain on investments before taxes                     | 11,875,682    |
| Income tax expense  | (178,074)     |
|   | -----         |
| Net realized gain on investments                                  | 11,697,608    |
| Net change in unrealized appreciation of investments before taxes | (1,757,668)   |
| Net change in deferred income tax expense                         | 4,449         |
|   | -----         |
| Net change in unrealized appreciation of investments              | (1,753,219)   |
| NET GAIN ON INVESTMENTS   | 9,944,389     |
|   | -----         |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS              | \$ 17,685,829 |
|   | =====         |

See Notes to Consolidated Financial Statements.

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## CONSOLIDATED STATEMENT OF CASH FLOWS

## MASSMUTUAL PARTICIPATION INVESTORS

For the nine months ended September 30, 2006  
(Unaudited)

|   |              |
|---|--------------|
| Net increase in cash:   |              |
| Cash flows from operating activities:                                   |              |
| Interest and dividends received   | \$ 8,460,604 |
| Interest expense paid   | (375,945)    |
| Operating expenses paid   | (1,125,422)  |
| Income taxes paid   | (3,599,264)  |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                               | 3,359,973    |
| Cash flows from investing activities:                                   |              |
| Purchases/Proceeds/Maturities from short-term portfolio securities, net | 6,198,008    |
| Purchases of portfolio securities                                       | (32,193,019) |
| Proceeds from disposition of portfolio securities                       | 31,144,217   |
| NET CASH PROVIDED BY INVESTING ACTIVITIES                               | 5,149,206    |
| NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES                 | 8,509,179    |
| Cash flows from financing activities:                                   |              |
| Cash dividends paid from net investment income                          | (7,515,740)  |
| Receipts for shares issued on reinvestment of dividends                 | 663,071      |
| NET CASH USED FOR FINANCING ACTIVITIES                                  | (6,852,669)  |
| NET INCREASE IN CASH  | 1,656,510    |
| Cash - beginning of year  | 2,765,876    |
| CASH - END OF PERIOD  | \$ 4,422,386 |

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

|   |               |
|---|---------------|
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS    | \$ 17,685,829 |
| Increase in investments                                 | (9,149,637)   |
| Increase in interest and dividends receivable           | (319,828)     |
| Increase in receivable for investments sold             | (809,819)     |
| Decrease in other assets                                | 6,454         |
| Increase in payable for investments purchased           | 4,343,836     |
| Increase in investment advisory fee payable             | 30,732        |
| Increase in interest payable                            | 174,000       |
| Decrease in accrued expenses                            | (26,749)      |
| Decrease in accrued taxes payable                       | (3,425,639)   |
| TOTAL ADJUSTMENTS TO NET ASSETS FROM OPERATIONS         | (9,176,650)   |
| NET CASH PROVIDED BY OPERATING AND INVESTING ACTIVITIES | \$ 8,509,179  |

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF  
CHANGES IN NET ASSETS

MASSMUTUAL PARTICIPATION INVESTORS

|   | For the nine<br>months ended<br>09/30/2006<br>(Unaudited) | For the<br>year ended<br>12/31/2005 |
|---|---|-------------------------------------|
|   | -----   | -----                               |
| Increase in net assets:   |   |                                     |
| OPERATIONS:   |   |                                     |
| Investment income - net   | \$ 7,741,440  | \$ 9,643,28                         |
| Net realized gain on investments  | 11,697,608  | 8,306,07                            |
| Net change in unrealized appreciation (depreciation) of<br>investments  | (1,753,219)   | 2,350,51                            |
|   | -----   | -----                               |
| Net increase in net assets resulting from operations  | 17,685,829  | 20,299,87                           |
| Net increase from common shares issued on reinvestment<br>of dividends Common shares issued (2006 - 46,911;<br>2005 - 71,671) | 663,071   | 927,72                              |
| Dividends to shareholders from:   |   |                                     |
| Net investment income (2006 - \$0.48 per share; 2005 -<br>\$1.01 per share)   | (4,689,913)   | (9,818,64                           |
|   | -----   | -----                               |
| TOTAL INCREASE IN NET ASSETS  | 13,658,987  | 11,408,95                           |
| NET ASSETS, BEGINNING OF YEAR   | 119,018,966   | 107,610,00                          |
|   | -----   | -----                               |
| NET ASSETS, END OF PERIOD/YEAR (including undistributed net<br>investment income of \$3,975,363 and \$923,836, respectively)  | \$ 132,677,953  | \$ 119,018,96                       |
|   | =====   | =====                               |

See Notes to Consolidated Financial Statements.

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CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS      MASSMUTUAL PARTICIPATION INVESTORS

Selected data for each share of beneficial interest outstanding:

|  | For the nine<br>months ended<br>09/30/2006<br>(Unaudited) | For the years ended Dec |         |         |
|--|---|-------------------------|---------|---------|
|  | -----   | 2005                    | 2004    | 2003    |
|  | -----   | -----                   | -----   | -----   |
| Net asset value:   |   |                         |         |         |
| Beginning of year  | \$ 12.21  | \$ 11.13                | \$ 9.84 | \$ 8.78 |
|  | -----   | -----                   | -----   | -----   |
| Net investment income (a)                                      | 0.79  | 0.99                    | 1.00    | 0.80    |
| Net realized and unrealized<br>gain (loss) on investments      | 1.02  | 1.09 (b)                | 1.36    | 1.21    |
|  | -----   | -----                   | -----   | -----   |
| Total from investment operations                               | 1.81  | 2.08                    | 2.36    | 2.01    |
|  | -----   | -----                   | -----   | -----   |
| Dividends from net investment<br>income to common shareholders | (0.48)  | (1.01)                  | (1.10)  | (0.96)  |

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|   |           |           |           |          |
|---|-----------|-----------|-----------|----------|
| Change from issuance of shares                          | 0.01      | 0.01      | 0.03      | 0.01     |
| Total distributions                                     | (0.47)    | (1.00)    | (1.07)    | (0.95)   |
| Net asset value:  |           |           |           |          |
| End of period/year                                      | \$ 13.55  | \$ 12.21  | \$ 11.13  | \$ 9.84  |
| Per share market value:                                 |           |           |           |          |
| End of period/year                                      | \$ 15.38  | \$ 14.05  | \$ 13.31  | \$ 11.65 |
| Total investment return                                 |           |           |           |          |
| Market value  | 15.13%    | 17.25%    | 25.77%    | 35.50%   |
| Net asset value (c)                                     | 13.06%    | 22.51%    | 25.14%    | 23.72%   |
| Net assets (in millions):                               |           |           |           |          |
| End of period/year                                      | \$ 132.68 | \$ 119.02 | \$ 107.61 | \$ 94.40 |
| Ratio of operating expenses<br>to average net assets    | 1.19% (d) | 1.45%     | 1.63%     | 1.65%    |
| Ratio of interest expense<br>to average net assets      | 0.58% (d) | 0.80%     | 0.89%     | 0.97%    |
| Ratio of total expenses<br>to average net assets        | 1.77% (d) | 2.25%     | 2.52%     | 2.62%    |
| Ratio of net investment income<br>to average net assets | 8.20% (d) | 8.45%     | 9.60%     | 8.55%    |
| Portfolio turnover                                      | 25.64%    | 31.50%    | 51.25%    | 55.08%   |

(a) Calculated using average shares.

(b) Amount includes \$0.10 per share in litigation proceeds.

(c) Net asset value return represents portfolio returns based on change in the Trust's net asset value including all dividends and distributions which differs from the total investment return based on the market value of its shares outstanding. The difference between the Trust's net asset value and the market value of its shares outstanding is due to the difference between the Trust's net asset value and the market value of its shares outstanding at the end of the period of future results.

(d) Annualized.

Senior securities:

|   |           |           |          |          |
|---|-----------|-----------|----------|----------|
| Total principal amount<br>(in millions)       | \$ 12     | \$ 12     | \$ 22.5  | \$ 22.5  |
| Asset coverage per \$1,000<br>of indebtedness | \$ 12,056 | \$ 10,918 | \$ 5,783 | \$ 5,195 |

See Notes to Consolidated Financial Statements.

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CONSOLIDATED SCHEDULE OF INVESTMENTS

MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

CORPORATE RESTRICTED SECURITIES - 74.31%: (A)

| Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|---|------------------|
|---|------------------|



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PRIVATE PLACEMENT INVESTMENTS - 69.19%

### A T I ACQUISITION COMPANY

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

|   |              |         |
|---|--------------|---------|
| 12% Senior Subordinated Note due 2012   | \$ 1,125,000 | 04/08/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.02 per share (B)    | 1,230 shs.   | 04/08/0 |
| Warrant, exercisable until 2012, to purchase preferred stock at \$.01 per share (B) | 33,505 shs.  | 03/23/0 |

### 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 | 02/29/0 |
| Warrant, exercisable until 2010, to purchase common stock at \$.02 per share (B) | 192 shs.     | 02/29/0 |

### AMERCABLE, INC.

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

|  |            |         |
|--|------------|---------|
| 12% Senior Subordinated Note due 2013  | \$ 583,333 | 04/08/0 |
| Limited Partnership Interest (B)   | 0.19% int. | 04/07/0 |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B) | 66 shs.    | 04/08/0 |

### AMERICAN HOSPICE MANAGEMENT HOLDING LLC

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

|                                       |              |         |
|---------------------------------------|--------------|---------|
| 12% Senior Subordinated Note due 2010 | \$ 1,125,000 | 01/22/0 |
| Preferred Class A Unit (B)            | 1,706 uts.   |         |
| Common Class B Unit                   | 16,100 uts.  | 01/22/0 |
| Common Class D Unit (B)               | 3,690 uts.   | 09/12/0 |

### ARROW TRU-LINE HOLDINGS, INC.

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

|  |            |         |
|--|------------|---------|
| 12% Senior Subordinated Note due 2012  | \$ 861,702 | 05/18/0 |
| Common Stock (B)   | 263 shs.   | 05/18/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | 69 shs.    | 05/18/0 |

### AUGUSTA SPORTSWEAR HOLDING CO.

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

|  |            |         |
|--|------------|---------|
| 12% Senior Subordinated Note due 2012  | \$ 893,000 | 12/31/0 |
| Common Stock (B)   | 275 shs.   | *       |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | 73 shs.    | 12/31/0 |

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\*01/22/04 and 09/12/06.  
 \*\*12/31/04, 03/31/05 and 05/02/06.

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

September 30, 2006  
 (Unaudited)

| CORPORATE RESTRICTED SECURITIES (A) (Continued)   | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount<br>----- | Acquisit<br>Date<br>----- |
|---|--|---------------------------|
| <br>  |  |                           |
| BETA BRANDS LTD.  |  |                           |
| A manufacturer of hard candy and chocolate-coated products sold primarily to the Canadian market.   |  |                           |
| 5% Promissory Note due 2009 (B)   | \$            96,698   | 03/31/0                   |
| Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B)  | 2,421 shs.   | 03/31/0                   |
| <br>  |  |                           |
| BRAVO SPORTS HOLDING CORPORATION  |  |                           |
| A designer and marketer of niche branded consumer products including canopies, trampolines, in-line skates, skateboards, and urethane wheels. |  |                           |
| 12.5% Senior Subordinated Note due 2014   | \$        1,207,902  | 06/30/0                   |
| Preferred Stock Class A (B)   | 465 shs.   | 06/30/0                   |
| Common Stock (B)  | 1 shs.   | 06/30/0                   |
| Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)  | 164 shs.   | 06/30/0                   |
| <br>  |  |                           |
| C & J SPEC-RENT SERVICES, INC.  |  |                           |
| A provider of coiled tubing and pressure pumping services to the oil and gas industry in Texas and Louisiana.                                 |  |                           |
| 10% Senior Secured Term Note due 2012   | \$            886,597  | 08/12/0                   |
| 14% Senior Subordinated Note due 2013   | \$            656,406  | 08/12/0                   |
| Common Stock (B)  | 268,657 shs.   | 08/12/0                   |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B)  | 49,552 shs.  | 08/12/0                   |
| <br>  |  |                           |
| CAINS FOODS, L.P.   |  |                           |
| A producer of mayonnaise and sauce products for both the retail and food service markets.   |  |                           |
| Limited Partnership Interest (B)  | 1.81% int.   | 09/29/9                   |
| <br>  |  |                           |
| CAPESUCCESS LLC   |  |                           |
| A provider of diversified staffing services.  |  |                           |
| Preferred Membership Interests (B)  | 806 uts.   | 04/29/0                   |
| Common Membership Interests (B)   | 10,421 uts.  | 04/29/0                   |

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CAPITAL SPECIALTY PLASTICS, INC.

A producer of desiccant strips used for packaging pharmaceutical products.

Common Stock (B)

55 shs.

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

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

| CORPORATE RESTRICTED SECURITIES (A) (Continued)  | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|--|---|------------------|
|  | -----   | -----            |
| COEUR, INC.  |   |                  |
| A producer of proprietary, disposable power injection syringes.  |   |                  |
| 8.75% Senior Secured Term Note due 2010  | \$ 264,493  | 04/30/0          |
| 11.5% Senior Subordinated Note due 2011  | \$ 242,754  | 04/30/0          |
| Common Stock (B)   | 72,463 shs.   | 04/30/0          |
| Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B)                                   | 50,099 shs.   | 04/30/0          |
| COINING CORPORATION OF AMERICA LLC   |   |                  |
| A manufacturer of close tolerance parts and metal stampings.   |   |                  |
| 10.74% Senior Secured Revolving Credit Facility due 2007 (C)   | \$ 61,728   | 01/07/0          |
| 10.74% Senior Secured Tranche A Note due 2007 (C)  | \$ 434,222  | 06/26/0          |
| 13% Senior Secured Tranche B Note due 2008 Limited Partnership Interest (B)  | \$ 370,370  | 06/26/0          |
| Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B)                                   | 3.65% int.  | 06/26/0          |
|  | 61,163 shs.   | 06/26/0          |
| CONNOR SPORT COURT INTERNATIONAL, INC.   |   |                  |
| A designer and manufacturer of outdoor and indoor synthetic sports flooring and other temporary flooring products. |   |                  |
| 12% Senior Subordinated Note due 2012 (D)  | \$ 1,059,417  |                  |
| Limited Partnership Interest (B)   | 4.43% int.  | *                |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)                                   | 92 shs.   |                  |
| CONSOLIDATED FOUNDRIES HOLDINGS  |   |                  |
| A manufacturer of engineered cast metal components for the global aerospace and defense industries.                |   |                  |
| 12% Senior Subordinated Note due 2013  | \$ 1,157,143  | 06/15/0          |
| Common Stock (B)   | 269 shs.  | **               |

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|   |         |         |
|---|---------|---------|
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) | 54 shs. | 06/15/0 |
|---|---------|---------|

COREPHARMA LLC

A manufacturer of oral dose generic pharmaceuticals  
targeted at niche applications.

|   |              |         |
|---|--------------|---------|
| 12% Senior Subordinated Note due 2013   | \$ 1,350,000 | 08/04/0 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) | 10 shs.      | 08/04/0 |

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

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

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

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.)      MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

|   | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|---|---|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued) | -----   | -----            |

CORVEST GROUP, INC.

A manufacturer and distributor of promotional products.

|   |              |  |
|---|--------------|--|
| 12% Senior Subordinated Note due 2009 (D)   | \$ 2,045,455 |  |
| Common Stock (B)  | 30 shs.      |  |
| Limited Partnership Interest (B)  | 10.23% int.  |  |
| Warrant, exercisable until 2007, to purchase<br>common stock at \$.01 per share (B) | 171 shs.     |  |

DEXTER MAGNETICS TECHNOLOGIES, INC.

A designer, fabricator, assembler and distributor of  
industrial magnets and subassemblies in North America  
and Europe.

|   |          |         |
|---|----------|---------|
| Common Stock  | 310 shs. | 07/19/0 |
| Warrant, exercisable until 2006, to purchase<br>common stock at \$.01 per share | 157 shs. | 07/19/0 |

DIRECTED ELECTRONICS, INC.

A designer and distributor of brand name  
automotive security systems, audio products and  
installation accessories.

|                                  |              |         |
|----------------------------------|--------------|---------|
| Common Stock (B)                 | 126,817 shs. | 12/19/0 |
| Limited Partnership Interest (B) | 4.61% int.   | *       |

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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. | 08/27/99 |
| Preferred Stock (B)   | 1,639 shs.  | 12/14/00 |
| Warrants, exercisable until 2011, to purchase common stock of DHI Holdings, Inc. at \$.01 per share (B) | 6,676 shs.  | **       |

DWYER GROUP, INC.

A franchiser of a variety of home repair services.

|  |            |          |
|--|------------|----------|
| 14% Senior Subordinated Note due 2011  | \$ 984,375 | 10/30/00 |
| Common Stock (B)   | 3,656 shs. | ***      |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | 1,077 shs. | 10/30/00 |

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

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

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

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

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

September 30, 2006

(Unaudited)

|  | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|--|---|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued)  | -----   | -----            |
| <br>E X C ACQUISITION CORPORATION  |   |                  |
| A manufacturer of pre-filled syringes and pump systems used for intravenous drug delivery. |   |                  |
| Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)           | 11 shs.   | 06/28/00         |
| <br>EAGLE PACK PET FOODS, INC.   |   |                  |
| A manufacturer of premium pet food sold through independent pet stores.                    |   |                  |
| 12% Senior Subordinated Note due 2011  | \$ 803,572  |                  |
| Warrant, exercisable until 2011, to purchase common stock at \$.02 per share               | 2,163 shs.  | 09/24/00         |
| <br>EAST RIVER VENTURES I, L.P.  |   |                  |
| An acquirer of controlling or substantial interests in other entities.                     |   |                  |
| Limited Partnership Interest (B)   | 0.03% int.  | 01/01/00         |

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ENZYMATIC THERAPY, INC.

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

|  |             |         |
|--|-------------|---------|
| Limited Partnership Interest (B)   | 0.70% int.  | 03/30/0 |
| Warrant, exercisable until 2009, to purchase common stock at \$.01 per share (B) | 15,415 shs. | 03/30/0 |

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 | 09/09/0 |
| 16.03% Overdue Interest Secured Note due 2008 (C)                                | \$ 75,952    | 01/13/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) | 23,229 shs.  | 09/09/0 |

EVANS CONSOLES, INC.

A designer and manufacturer of consoles and control center systems.

|                  |             |         |
|------------------|-------------|---------|
| Common Stock (B) | 45,000 shs. | 05/06/0 |
|------------------|-------------|---------|

F H S HOLDINGS LLC

A national provider of customized disease management services to large, self-insured employers.

|                                       |              |         |
|---------------------------------------|--------------|---------|
| 12% Senior Subordinated Note due 2014 | \$ 1,265,625 | 06/01/0 |
| Preferred Unit (B)                    | 84 uts.      | 06/01/0 |
| Common Unit (B)                       | 844 uts.     | 06/01/0 |
| Common Unit Class B (B)               | 734 shs.     | 06/01/0 |

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

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

|   | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|---|---|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued) | -----   | -----            |

FLUTES, INC.

An independent manufacturer of micro fluted corrugated sheet material for the food and consumer products packaging industries.

|  |             |         |
|--|-------------|---------|
| 10% Senior Secured Term Note due 2013  | \$ 524,791  | 04/13/0 |
| 14% Senior Subordinated Note due 2014  | \$ 314,029  | 04/13/0 |
| Common Stock (B)   | 62,535 shs. | 04/13/0 |
| Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B) | 17,680 shs. | 04/13/0 |

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FOWLER HOLDING, INC.

A provider of site development services to residential homebuilders and developers in the Raleigh/Durham region of North Carolina.

|  |              |         |
|--|--------------|---------|
| 12% Senior Subordinated Note due 2013  | \$ 1,252,174 | 02/03/0 |
| Common Stock (B)   | 98 shs.      | 02/03/0 |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B) | 135 shs.     | 02/03/0 |

FUEL SYSTEMS HOLDING CORPORATION

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

|  |              |         |
|--|--------------|---------|
| 12% Senior Subordinated Note due 2014  | \$ 1,237,500 | 01/31/0 |
| Common Stock (B)   | 112,500 shs. | 01/31/0 |
| Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B) | 73,275 shs.  | 01/31/0 |

H M HOLDING COMPANY

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

|  |              |         |
|--|--------------|---------|
| 12% Senior Subordinated Note due 2013  | \$ 1,170,000 | 02/10/0 |
| Common Stock (B)   | 180 shs.     | 02/10/0 |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B) | 67 shs.      | 02/10/0 |

HIGHGATE CAPITAL LLC

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

|                              |            |         |
|------------------------------|------------|---------|
| Series A Preferred Units (B) | 0.30% int. | 07/21/9 |
|------------------------------|------------|---------|

HOME DECOR HOLDING COMPANY

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

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

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

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

|   | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|---|---|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued) |   |                  |

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INTEGRATION TECHNOLOGY SYSTEMS, INC.

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

|                                  |    |          |         |
|----------------------------------|----|----------|---------|
| 12% Senior Secured Note due 2007 | \$ | 949,004  | 03/01/0 |
| Common Stock (B)                 |    | 130 shs. | 06/01/0 |

ITC^DELTACOM, INC.

A provider of integrated communications services in the southeastern United States.

|   |    |             |         |
|---|----|-------------|---------|
| 13.63% Senior Secured Note due 2009 (C)   | \$ | 1,179,095   | 07/26/0 |
| 17.13% Senior Secured Note due 2009 (C)   | \$ | 189,668     | 07/26/0 |
| Warrant, exercisable until 2009, to purchase convertible preferred stock at \$.01 per share (B) |    | 54,468 shs. | 07/26/0 |

JASON, INC.

A diversified manufacturing company serving various industrial markets.

|   |    |             |         |
|---|----|-------------|---------|
| 13% Senior Subordinated Note due 2008   | \$ | 510,187     | 08/04/0 |
| 14% Cumulative Redeemable Preferred Stock Series A (B) Limited Partnership Interest of Saw Mill Capital Fund II, L.P. (B) |    | 153 shs.    | 08/04/0 |
| Warrants, exercisable until 2008 and 2009, to purchase common stock at \$.01 per share (B)                                |    | 1.30% int.  | 08/03/0 |
|   |    | 26,931 shs. | 08/04/0 |

JUSTRITE MANUFACTURING ACQUISITION CO.

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

|  |    |          |         |
|--|----|----------|---------|
| 12% Senior Subordinated Note due 2011  | \$ | 843,750  | 12/15/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) |    | 594 shs. | 12/15/0 |

K N B HOLDINGS CORPORATION

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

|  |    |             |         |
|--|----|-------------|---------|
| 13.5% Senior Subordinated Note due 2013  | \$ | 1,280,865   | 05/25/0 |
| Common Stock (B)   |    | 71,053 shs. | 05/25/0 |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B) |    | 43,600 shs. | 05/25/0 |

KEEPSAKE QUILTING, INC.

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

|  |    |            |         |
|--|----|------------|---------|
| 8.89% Senior Secured Revolving Note due 2007 (C)                                 | \$ | 52,418     | 06/16/0 |
| 8.89% Senior Secured Tranche A Note due 2007 (C)                                 | \$ | 117,941    | 07/19/0 |
| 12% Senior Secured Tranche B Note due 2008                                       | \$ | 314,509    | 06/16/0 |
| Limited Partnership Interest of Riverside XVI Holding Company, L.P. (B)          |    | 3.02% int. | 06/12/0 |
| Warrant, exercisable until 2008, to purchase common stock at \$.01 per share (B) |    | 633 shs.   | 06/12/0 |



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 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.)      MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
 (Unaudited)

| CORPORATE RESTRICTED SECURITIES (A) (Continued)   | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|---|---|------------------|
|   | -----   | -----            |
| KELE AND ASSOCIATES, INC.   |   |                  |
| A distributor of building automation control products.  |   |                  |
| 12% Senior Subordinated Note due 2012   | \$       969,643  | 02/27/0          |
| Preferred Stock (B)   | 12 shs.   | 11/24/0          |
| Common Stock (B)  | 6 shs.  | 02/27/0          |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.02 per share (B)   | 6 shs.  | 02/27/0          |
|   |   |                  |
| KEYSTONE NORTH AMERICA, INC.  |   |                  |
| An operator of funeral homes in North America.  |   |                  |
| Common Stock  | 28,577 shs.   | 02/08/0          |
|   |   |                  |
| LIH INVESTORS, L.P.   |   |                  |
| A manufacturer and marketer of a broad line of external<br>accessories for new and used sport utility vehicles, trucks<br>and vans. |   |                  |
| 12.5% Senior Subordinated Note due 2008   | \$     2,036,000  |                  |
| Common Stock (B)  | 3,057 shs.  |                  |
| Warrant, exercisable until 2006, to purchase<br>common stock at \$.11 per share (B)   | 8,245 shs.  |                  |
|   |   |                  |
| MAGNATECH INTERNATIONAL, INC.   |   |                  |
| A supplier of process equipment and related parts used<br>in the manufacturing of medium and high-pressure<br>reinforced hoses.     |   |                  |
| 12% Senior Subordinated Note due 2014   | \$       675,000  | 04/05/0          |
| 13% Preferred Stock (B)   | 299 shs.  | 04/05/0          |
| Common Stock (B)  | 66 shs.   | 04/05/0          |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B)   | 7 shs.  | 04/05/0          |
|   |   |                  |
| MAVERICK ACQUISITION COMPANY  |   |                  |
| A manufacturer of capsules that cover the cork and neck of<br>wine bottles.   |   |                  |
| 9.98% Senior Secured Tranche A Note due 2010 (C)  | \$       397,783  | 09/03/0          |
| 12% Senior Secured Tranche B Note due 2011  | \$       179,104  | 09/03/0          |
| Limited Partnership Interest (B)  | 4.48% int.  | 09/03/0          |

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|   |          |         |
|---|----------|---------|
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B) | 243 shs. | 09/03/0 |
|---|----------|---------|

### MAXON CORPORATION

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

|   |              |         |
|---|--------------|---------|
| 12% Senior Subordinated Note due 2012   | \$ 549,837   | 09/30/0 |
| 8.75% Senior Subordinated Note due 2012   | \$ 660,322   | 09/30/0 |
| Common Stock (B)  | 218,099 shs. | 09/30/0 |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) | 87,755 shs.  | 09/30/0 |

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

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

September 30, 2006  
(Unaudited)

|   | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|---|---|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued) | -----   | -----            |

#### MEDASSIST, INC.

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

|   |             |         |
|---|-------------|---------|
| 8% Preferred Stock (B)  | 44 shs.     | 10/28/0 |
| Common Stock (B)  | 13,863 shs. | 10/28/0 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) | 47,090 shs. | 05/01/0 |

#### MICROGROUP, INC.

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

|   |              |  |
|---|--------------|--|
| 12% Senior Subordinated Note due 2013   | \$ 1,421,795 |  |
| Common Stock (B)  | 238 shs.     |  |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) | 87 shs.      |  |

#### MOMENTUM HOLDING CO.

A designer and supplier of upholstery fabric to commercial furniture manufacturers and architectural and design firms.

|   |             |         |
|---|-------------|---------|
| 12% Senior Subordinated Note due 2014   | \$ 618,802  | 08/04/0 |
| Limited Partnership Interest (B)  | 56,198 uts. | 08/04/0 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B) | 586 shs.    | 08/04/0 |

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### MONESSEN HOLDING CORPORATION

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

|  |              |         |
|--|--------------|---------|
| 12% Senior Subordinated Note due 2014  | \$ 1,350,000 | 03/31/0 |
| Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B) | 81 shs.      | 03/31/0 |

### MORTON INDUSTRIAL GROUP, INC.

A manufacturer of highly engineered metal fabricated components.

|  |              |         |
|--|--------------|---------|
| 12% Senior Subordinated Note due 2014  | \$ 1,292,246 | 08/25/0 |
| Common Stock (B)   | 57,754 shs.  | 08/25/0 |
| Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B) | 91,923 shs.  | 08/25/0 |

\*08/12/05 and 09/11/06.

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

September 30, 2006  
(Unaudited)

|  | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|--|---|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued)                                  | -----   | -----            |
| <br>MOSS, INC.   |   |                  |
| A manufacturer and distributor of large display and exhibit structures.          |   |                  |
| 9.48% Senior Secured Revolving Note due 2010 (C)                                 | \$ 54,941   | 07/03/0          |
| 9.48% Senior Secured Tranche A Note due 2010 (C)                                 | \$ 550,000  | 12/21/0          |
| 12% Senior Secured Tranche B Note due 2010                                       | \$ 200,000  | 12/21/0          |
| Limited Partnership Interest of Riverside Capital Appreciation Fund I, L.P. (B)  | 19.20% int.   |                  |
| Warrant, exercisable until 2010, to purchase common stock at \$.01 per share (B) | 122 shs.  | 12/21/0          |
| <br>NABCO, INC.  |   |                  |
| A producer of explosive containment vessels in the United States.                |   |                  |
| 12% Senior Subordinated Note due 2014  | \$ 330,882  | 02/24/0          |
| Limited Partnership Interest (B)   | 344 uts.  | 02/24/0          |
| Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B) | 26 shs.   | 02/24/0          |

NEFF MOTIVATION, INC.

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

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

|  |    |         |          |          |
|--|----|---------|----------|----------|
| 12.5% Senior Subordinated Note due 2011  | \$ | 562,500 |          | 01/31/00 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) |    |         | 112 shs. | 01/31/00 |

### NONNI'S FOOD COMPANY

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

|  |    |         |            |          |
|--|----|---------|------------|----------|
| 12.25% Senior Subordinated Note due 2012   | \$ | 986,538 |            | 03/29/00 |
| 10% Preferred Stock (B)  |    |         | 135 shs.   | 03/29/00 |
| Common Stock (B)   |    |         | 3,418 shs. | 03/29/00 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) |    |         | 4,565 shs. | 03/29/00 |

### NYLONCRAFT, INC.

A supplier of engineered plastic components for the automotive industry.

|  |    |         |              |          |
|--|----|---------|--------------|----------|
| 9% Senior Secured Note due 2009  | \$ | 464,286 |              | 01/28/00 |
| 11.5% Senior Subordinated Note due 2012  | \$ | 857,143 |              | 01/28/00 |
| Common Stock (B)   |    |         | 178,571 shs. | 01/28/00 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) |    |         | 138,928 shs. | 01/28/00 |

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

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

September 30, 2006  
(Unaudited)

|   |  | Shares, Units,<br>Warrants,<br>Ownership or |       | Acquisit<br>Date |
|---|--|---|-------|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued) |  | Principal Amount                            | ----- | -----            |

### O R S NASCO HOLDING, INC.

A wholesale distributor of industrial supplies in North America.

|  |    |           |             |          |
|--|----|-----------|-------------|----------|
| 13% Senior Subordinated Note due 2013  | \$ | 1,256,152 |             | 12/20/00 |
| Common Stock (B)   |    |           | 93,848 shs. | 12/20/00 |
| Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B) |    |           | 52,820 shs. | 12/20/00 |

### OAKRIVER TECHNOLOGY, INC.

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

|                                  |    |         |  |          |
|----------------------------------|----|---------|--|----------|
| 10% Senior Secured Note due 2012 | \$ | 323,115 |  | 01/03/00 |
|----------------------------------|----|---------|--|----------|

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

|   |              |         |
|---|--------------|---------|
| 13% Senior Subordinated Note due 2013   | \$ 392,709   | 01/03/0 |
| Common Stock (B)  | 184,176 shs. | 01/03/0 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) | 41,249 shs.  | 01/03/0 |

### OLYMPIC SALES, INC.

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

|   |              |   |
|---|--------------|---|
| 12% Senior Subordinated Note due 2008   | \$ 1,193,154 | * |
| Limited Partnership Interest of Riverside VIII, VIII-A and<br>VIII-B Holding Company, L.P.    | 10.66% int.  |   |
| Warrants, exercisable until 2007 and 2008, to purchase<br>common stock at \$.01 per share (B) | 15,166 shs.  | * |

### ONTARIO DRIVE & GEAR LTD.

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

|   |              |         |
|---|--------------|---------|
| 13% Senior Subordinated Note due 2013   | \$ 1,047,115 | 01/17/0 |
| Limited Partnership Interest (B)  | 1,942 uts.   | 01/17/0 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) | 328 shs.     | 01/17/0 |

### OVERTON'S HOLDING COMPANY

A marketer of marine and water sports accessories in the United States.

|   |            |         |
|---|------------|---------|
| 12% Senior Subordinated Note due 2014   | \$ 962,104 | 04/28/0 |
| Common Stock (B)  | 50 shs.    | 04/28/0 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B) | 49 shs.    | 04/28/0 |

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

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

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

September 30, 2006  
(Unaudited)

|   | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|---|---|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued) | -----   | -----            |

### P A S HOLDCO LLC

An independent provider of maintenance, repair and overhaul services to the aerospace gas turbine engine and airframe markets.

|                                       |              |         |
|---------------------------------------|--------------|---------|
| 14% Senior Subordinated Note due 2014 | \$ 1,147,684 | 07/03/0 |
| Preferred Unit (B)                    | 202 uts.     | 07/03/0 |

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|                         |         |         |
|-------------------------|---------|---------|
| Preferred Unit (B)      | 36 uts. | 07/03/0 |
| Common Unit Class I (B) | 78 uts. | 07/03/0 |
| Common Unit Class L (B) | 17 uts. | 07/03/0 |

### P I I HOLDING CORPORATION

A manufacturer of plastic film and bags for the general industrial, medical, and food industries.

|  |              |         |
|--|--------------|---------|
| 12% Senior Subordinated Note due 2013  | \$ 1,215,000 | 03/31/0 |
| Preferred Stock (B)  | 19 shs.      | 03/31/0 |
| Common Stock (B)   | 12 shs.      | 03/31/0 |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B) | 7 shs.       | 03/31/0 |

### PARADIGM PACKAGING, INC.

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 | 12/19/0 |
| Membership Interests of MM/Lincap PPI Investments, Inc., LLC (B) | 1.28% int.   | 12/21/0 |

### PROTEIN GENETICS, INC.

A producer of bovine artificial insemination products, related breeding and healthcare products and specialty genetics sold to the dairy and beef industries.

|  |          |         |
|--|----------|---------|
| 9.8% Redeemable Exchangeable Preferred Stock (B) | 332 shs. | 08/12/9 |
| Common Stock (B)                                 | 867 shs. |         |

### QUALIS AUTOMOTIVE LLC

A distributor of aftermarket automotive brake and chassis products.

|  |              |         |
|--|--------------|---------|
| 12% Senior Subordinated Note due 2012  | \$ 937,500   | 05/28/0 |
| Common Stock   | 187,500 shs. | 05/28/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share | 199,969 shs. | 05/28/0 |

### QUALSERV CORPORATION

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

|  |              |         |
|--|--------------|---------|
| 14% Senior Subordinated Note due 2012 (D)  | \$ 1,002,475 | 07/09/0 |
| Limited Partnership Interest (B)   | 4.90% int.   | 07/09/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) | 280 shs.     | 07/09/0 |

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

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.)      MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

| CORPORATE RESTRICTED SECURITIES (A) (Continued)  | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount<br>----- | Acquisit<br>Date<br>----- |
|--|--|---------------------------|
| <b>RADIAC ABRASIVES, INC.</b>  |  |                           |
| A manufacturer of bonded abrasive and super abrasive grinding wheels in the United States. |  |                           |
| 12% Senior Subordinated Note due 2014  | \$ 1,196,809   | 02/10/0                   |
| Common Stock (B)   | 153,191 shs.   | 02/10/0                   |
| Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)           | 69,647 shs.  | 02/10/0                   |
| <br>   |  |                           |
| <b>RIVER RANCH FRESH FOODS LLC</b>   |  |                           |
| A supplier of fresh produce to the retail and foodservice channels.                        |  |                           |
| 13% Senior Subordinated Note due 2011 (D)  | \$ 975,000   | 09/29/0                   |
| Limited Partnership Interest (B)   | 21,500 uts.  | 09/29/0                   |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)           | 12,481 shs.  | 09/29/0                   |
| <br>   |  |                           |
| <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   | 11/14/0                   |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)           | 74 shs.  | 11/14/0                   |
| <br>   |  |                           |
| <b>SAFETY SPEED CUT MANUFACTURING COMPANY, INC.</b>  |  |                           |
| A manufacturer of vertical panel saws and routers for the wood working industry.           |  |                           |
| 8.73% Senior Secured Tranche A Note due 2007 (C)   | \$ 242,283   | 06/02/9                   |
| 12% Senior Secured Tranche B Note due 2007   | \$ 646,089   | 06/02/9                   |
| Class B Common Stock (B)   | 846 shs.   | 06/02/9                   |
| <br>   |  |                           |
| <b>SAVAGE SPORTS HOLDING, INC.</b>   |  |                           |
| A manufacturer of sporting firearms.   |  |                           |
| 12% Senior Subordinated Note due 2012  | \$ 814,655   | 09/10/0                   |
| Common Stock (B)   | 310 shs.   | 09/10/0                   |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)           | 71 shs.  | 09/10/0                   |
| <br>   |  |                           |
| <b>SPECIALTY FOODS GROUP, INC.</b>   |  |                           |
| A manufacturer and distributor of branded meat products.                                   |  |                           |
| Limited Partnership Interest of MHD Holdings LLC   | 0.76% int.   | 08/29/0                   |

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STANTON CARPET HOLDING CO.

A designer and marketer of high and mid-priced decorative carpets and rugs.

|  |    |           |         |         |
|--|----|-----------|---------|---------|
| 12.125% Senior Subordinated Note due 2014  | \$ | 1,185,366 |         | 08/01/0 |
| Common Stock (B)   |    | 165 shs.  |         | 08/01/0 |
| Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B) |    |           | 55 shs. | 08/01/0 |

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

September 30, 2006  
(Unaudited)

|   |  | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount |  | Acquisit<br>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. |  | 01/14/0 |
|--|--|-------------|--|---------|

SYNVENTIVE EQUITY LLC

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

|  |  |             |  |         |
|--|--|-------------|--|---------|
| Limited Partnership Interest (B)   |  | 1.05% int.  |  | 08/20/0 |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B) |  | 45,942 shs. |  | 08/21/0 |

TANGENT RAIL CORPORATION

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

|  |    |            |          |         |
|--|----|------------|----------|---------|
| 13% Senior Subordinated Note due 2013  | \$ | 1,173,909  |          | 10/14/0 |
| Preferred Stock (B)  |    | 1,749 shs. |          | 10/14/0 |
| Common Stock (B)   |    | 1,167 shs. |          | 10/14/0 |
| Warrant, exercisable until 2013, to purchase common stock at \$.01 per share (B) |    |            | 618 shs. | 10/14/0 |

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.

|  |    |         |  |         |
|--|----|---------|--|---------|
| 8.68% Senior Secured Tranche A Note due 2011 (C) | \$ | 159,375 |  | 04/28/0 |
| 8.75% Senior Secured Tranche A Note due 2011 (C) | \$ | 121,875 |  | 04/28/0 |
| 8.93% Senior Secured Tranche B Note due 2012 (C) | \$ | 179,883 |  | 04/28/0 |
| 8.65% Senior Secured Tranche B Note due 2012 (C) | \$ | 241,992 |  | 04/28/0 |



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|   |    |         |            |         |
|---|----|---------|------------|---------|
| 8.64% Senior Secured Tranche B Note due 2012 (C)                                    | \$ | 209,530 |            | 09/11/0 |
| 12% Senior Subordinated Note due 2014   | \$ | 664,062 |            | 04/28/0 |
| Limited Partnership Interest of<br>Saw Mill Capital Fund V, L.P.                    |    |         | 2.30% int. | 03/01/0 |
| Warrant, exercisable until 2016, to purchase<br>common stock at \$.01 per share (B) |    |         | 41 shs.    | 04/28/0 |

### THE TRANZONIC COMPANIES

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

|   |    |           |          |         |
|---|----|-----------|----------|---------|
| 13% Senior Subordinated Note due 2009   | \$ | 1,356,000 |          | 02/05/9 |
| Common Stock (B)  |    |           | 315 shs. | 02/04/9 |
| Warrant, exercisable until 2006, to purchase<br>common stock at \$.01 per share (B) |    |           | 222 shs. | 02/05/9 |

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

September 30, 2006  
(Unaudited)

|   |  | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount |  | Acquisit<br>Date |
|---|--|---|--|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued) |  |   |  |                  |

### TRANSTAR HOLDING COMPANY

A distributor of aftermarket automotive transmission parts.

|   |    |         |          |         |
|---|----|---------|----------|---------|
| 12% Senior Subordinated Note due 2013   | \$ | 918,000 |          | 08/31/0 |
| Common Stock (B)  |    |         | 432 shs. | 08/31/0 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) |    |         | 46 shs.  | 08/31/0 |

### TRONAIR, INC.

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

|   |    |         |              |         |
|---|----|---------|--------------|---------|
| 10.5% Senior Secured Term Note due 2008   | \$ | 451,394 |              | 01/20/0 |
| 12% Senior Subordinated Note due 2010   | \$ | 758,100 |              | 01/20/0 |
| Common Stock (B)  |    |         | 129,960 shs. | 01/20/0 |
| Warrant, exercisable until 2010, to purchase<br>common stock at \$1 per share (B) |    |         | 148,912 shs. | 01/20/0 |

### TRUCK BODIES & EQUIPMENT INTERNATIONAL

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

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other accessories.

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

TRUSTILE DOORS, INC.

A manufacturer and distributor of interior doors.

|   |    |            |         |
|---|----|------------|---------|
| 12.5% Senior Subordinated Note due 2010   | \$ | 562,500    | 04/11/0 |
| Warrant, exercisable until 2010, to purchase<br>common stock at \$.01 per share (B) |    | 3,060 shs. | 04/11/0 |

TUBULAR TEXTILE MACHINERY

A designer, manufacturer, sale and servicer of finishing machinery for the knit and woven segments of the global textile industry.

|   |    |              |         |
|---|----|--------------|---------|
| 12% Senior Subordinated Note due 2014   | \$ | 705,457      | 05/28/0 |
| 8.75% Senior Secured Note due 2011  | \$ | 409,310      | 05/28/0 |
| Common Stock (B)  |    | 385,233 shs. | 05/28/0 |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) |    | 116,521 shs. | 05/28/0 |

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

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

September 30, 2006  
(Unaudited)

|   |  | Shares, Units,<br>Warrants,<br>Ownership or<br>Principal Amount | Acquisit<br>Date |
|---|--|---|------------------|
| CORPORATE RESTRICTED SECURITIES (A) (Continued) |  |   |                  |

U S S HOLDINGS, INC.

A producer of high grade industrial and specialty silica sands.

|  |  |             |         |
|--|--|-------------|---------|
| 14% Redeemable Preferred Stock (B)   |  | 499 shs.    | 09/30/9 |
| Convertible Preferred Stock Series A and B, convertible<br>into common stock at \$9.26 per share (B) |  | 72,720 shs. | 12/19/9 |
| Common Stock (B)   |  | 10,013 shs. | 09/30/9 |
| Warrants, exercisable until 2010, to purchase<br>common stock at \$.01 per share (B)                 |  | 2,459 shs.  |         |

U-LINE CORPORATION

A manufacturer of high-end, built-in, undercounter ice making, wine storage and refrigeration appliances.

|   |    |         |         |
|---|----|---------|---------|
| 12.5% Senior Subordinated Note due 2012 | \$ | 996,500 | 04/30/0 |
| Common Stock (B)                        |    | 96 shs. | 04/30/0 |

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|   |             |         |
|---|-------------|---------|
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B)     | 122 shs.    | 04/30/0 |
| VICTORY VENTURES LLC  |             |         |
| An acquirer of controlling or substantial interests in<br>other entities.               |             |         |
| Series A Preferred Units (B)  | 0.04% int.  | 12/02/9 |
| VITALITY FOODSERVICE, INC.  |             |         |
| A non-carbonated beverage dispensing company focused<br>on the foodservice industry.    |             |         |
| 13% Senior Subordinated Note due 2011   | \$ 999,153  | 09/24/0 |
| Common Stock (B)  | 12,585 shs. | 09/24/0 |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B)     | 12,593 shs. | 09/24/0 |
| VITEX PACKAGING GROUP, INC.   |             |         |
| A manufacturer of specialty packaging, primarily<br>envelopes and tags used on tea bags |             |         |
| 12.5% Senior Subordinated Note due 2012   | \$ 900,000  | 07/19/0 |
| Limited Partnership Interest Class A (B)  | 0.93% int.  | 07/19/0 |
| Limited Partnership Interest Class B (B)  | 0.41% int.  | 07/19/0 |
| WALLS INDUSTRIES, INC.  |             |         |
| A provider of branded workwear and sporting<br>goods apparel.                           |             |         |
| 10% Senior Subordinated Lien Note due 2009  | \$ 444,079  | 07/12/0 |
| 14% Senior Subordinated Note due 2012   | \$ 574,613  | 07/12/0 |
| Limited Partnership Interest (B)  | 0.20% int.  | 07/12/0 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B)     | 2,133 shs.  | 07/12/0 |

TOTAL PRIVATE PLACEMENT INVESTMENTS

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

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

| CORPORATE RESTRICTED SECURITIES (A) (Continued) | Interest<br>Rate | Due<br>Date | Shares or<br>Principal<br>Amount |       |
|---|------------------|-------------|----------------------------------|-------|
|   | -----            | -----       | -----                            | ----- |
| RULE 144A SECURITIES - 5.12%: (A)               |                  |             |                                  |       |
| BONDS - 5.12%                                   |                  |             |                                  |       |
| A E S Corporation                               | 8.750%           | 05/15/13    | \$ 425,000                       | \$    |

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|   |        |          |         |        |
|---|--------|----------|---------|--------|
| A E S Corporation                       | 9.000  | 05/15/15 | 175,000 |        |
| Basic Energy Services                   | 7.125  | 04/15/16 | 625,000 |        |
| Bombardier, Inc.                        | 6.300  | 05/01/14 | 500,000 |        |
| Charter Communications Op LLC           | 8.000  | 04/30/12 | 250,000 |        |
| Douglas Dynamics LLC                    | 7.750  | 01/15/12 | 325,000 |        |
| Edison Mission Energy                   | 7.750  | 06/15/16 | 235,000 |        |
| G F S I, Inc.                           | 11.000 | 06/01/11 | 375,000 |        |
| Interactive Health LLC                  | 7.250  | 04/01/11 | 484,000 |        |
| Packaging Dynamics Corporation of Ameri | 10.000 | 05/01/16 | 850,000 |        |
| Petrohawk Energy Corporation            | 9.125  | 07/15/13 | 500,000 |        |
| Service Corporation International (C)   | 8.000  | 06/15/17 | 500,000 |        |
| Stewart & Stevenson LLC                 | 10.000 | 07/15/14 | 600,000 |        |
| T C W Leveraged Income Trust LP         | 8.410  | 11/30/06 | 437,144 |        |
| Tenaska Alabama Partners LP             | 7.000  | 06/30/21 | 180,789 |        |
| Tunica-Biloxi Gaming Authority          | 9.000  | 11/15/15 | 500,000 |        |
| TOTAL BONDS                             |        |          |         | 6,     |
| WARRANTS - 0.00%                        |        |          |         |        |
| Winsloew Furniture, Inc. (B)            |        |          | 700     | \$     |
| TOTAL WARRANTS                          |        |          |         |        |
| TOTAL RULE 144A SECURITIES              |        |          |         | 6,     |
| TOTAL CORPORATE RESTRICTED SECURITIES   |        |          |         | \$ 98, |

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

| CORPORATE PUBLIC SECURITIES -- 25.91%: (A) | Interest<br>Rate | Due<br>Date | Principal<br>Amount |       |
|--|------------------|-------------|---------------------|-------|
|  | -----            | -----       | -----               | ----- |
| BONDS - 25.23%                             |                  |             |                     |       |
| Abitibi-Consolidated, Inc.                 | 7.750%           | 06/15/11    | \$ 500,000          | \$    |
| Allied Waste NA                            | 7.875            | 04/15/13    | 500,000             |       |
| Appleton Papers, Inc.                      | 8.125            | 06/15/11    | 250,000             |       |
| Argo Tech Corporation                      | 9.250            | 06/01/11    | 425,000             |       |
| Arrow Electronics, Inc.                    | 7.000            | 01/15/07    | 500,000             |       |
| Atlas Pipeline Partners                    | 8.125            | 12/15/15    | 600,000             |       |
| BCP Crystal US Holdings Corporation        | 9.625            | 06/15/14    | 355,000             |       |
| Blockbuster, Inc. (C)                      | 9.000            | 09/01/12    | 275,000             |       |
| Cablevision Systems Corporation            | 8.000            | 04/15/12    | 500,000             |       |
| Cadmus Communications Corporation          | 8.375            | 06/15/14    | 500,000             |       |
| Chemed Corporation                         | 8.750            | 02/24/11    | 600,000             |       |
| Chesapeake Energy Corporation              | 7.000            | 08/15/14    | 650,000             |       |
| Cincinnati Bell, Inc.                      | 8.375            | 01/15/14    | 550,000             |       |
| Clayton Williams Energy, Inc.              | 7.750            | 08/01/13    | 575,000             |       |

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|  |        |          |         |
|--|--------|----------|---------|
| Del Monte Corporation                    | 8.625  | 12/15/12 | 200,000 |
| Dollar Financial Group                   | 9.750  | 11/15/11 | 241,000 |
| Dominos Pizza, Inc.                      | 8.250  | 07/01/11 | 109,000 |
| Dynergy Holdings, Inc.                   | 8.375  | 05/01/16 | 665,000 |
| Electronic Data Systems Corporation      | 7.125  | 10/15/09 | 500,000 |
| Esterline Technologies                   | 7.750  | 06/15/13 | 175,000 |
| Exco Resources, Inc.                     | 7.250  | 01/15/11 | 500,000 |
| Ford Motor Credit Co.                    | 7.375  | 10/28/09 | 750,000 |
| Gencorp, Inc.                            | 9.500  | 08/15/13 | 130,000 |
| General Motors Acceptance Corporation    | 5.850  | 01/14/09 | 750,000 |
| Goodyear Tire & Rubber Co.               | 7.857  | 08/15/11 | 350,000 |
| Goodyear Tire & Rubber Co.               | 9.000  | 07/01/15 | 100,000 |
| GulfMark Offshore, Inc.                  | 7.750  | 07/15/14 | 300,000 |
| Houghton Mifflin Co.                     | 9.875  | 02/01/13 | 500,000 |
| Imax Corporation                         | 9.625  | 12/01/10 | 500,000 |
| Inergy LP                                | 8.250  | 03/01/16 | 75,000  |
| Intelsat Subsidiary Holding Company Ltd. | 9.614  | 01/15/12 | 475,000 |
| Interline Brands, Inc.                   | 8.125  | 06/15/14 | 150,000 |
| Intrawest Corporation                    | 7.500  | 10/15/13 | 250,000 |
| Iron Mountain, Inc.                      | 8.750  | 07/15/18 | 500,000 |
| K 2, Inc.                                | 7.375  | 07/01/14 | 150,000 |
| Koppers Inc.                             | 9.875  | 10/15/13 | 170,000 |
| Lazard LLC                               | 7.125  | 05/15/15 | 375,000 |
| Leucadia National Corporation            | 7.000  | 08/15/13 | 350,000 |
| Liberty Media Corporation                | 5.700  | 05/15/13 | 500,000 |
| Lodgenet Entertainment Corporation       | 9.500  | 06/15/13 | 375,000 |
| Lyondell Chemical Co.                    | 9.500  | 12/15/08 | 265,000 |
| M G M Mirage, Inc.                       | 6.000  | 10/01/09 | 225,000 |
| Mac-Gray Corporation                     | 7.625  | 08/15/15 | 300,000 |
| Majestic Star Casino LLC                 | 9.500  | 10/15/10 | 250,000 |
| Manitowoc Company, Inc.                  | 7.125  | 11/01/13 | 100,000 |
| Markwest Energy Operating Co.            | 6.875  | 11/01/14 | 550,000 |
| Mediacom LLC                             | 9.500  | 01/15/13 | 750,000 |
| Metaldyne Corporation (C)                | 10.000 | 11/01/13 | 340,000 |
| N R G Energy, Inc.                       | 7.375  | 02/01/16 | 600,000 |
| Nalco Co.                                | 7.750  | 11/15/11 | 250,000 |

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

| CORPORATE PUBLIC SECURITIES (A) (Continued) | Interest<br>Rate | Due<br>Date | Principal<br>Amount |    |
|---|------------------|-------------|---------------------|----|
| BONDS, CONTINUED                            |                  |             |                     |    |
| National Wine & Spirits, Inc.               | 10.125%          | 01/15/09    | \$ 25,000           | \$ |
| Neiman Marcus Group, Inc.                   | 10.375           | 10/15/15    | 600,000             |    |
| Nextel Communications, Inc.                 | 7.375            | 08/01/15    | 400,000             |    |
| North American Energy Partners              | 8.750            | 12/01/11    | 200,000             |    |
| Nova Chemicals Corporation (C)              | 8.405            | 11/15/13    | 215,000             |    |
| NTL Cable PLC                               | 9.125            | 08/15/16    | 690,000             |    |
| O E D Corp/Diamond Jo Company Guarantee     | 8.750            | 04/15/12    | 500,000             |    |
| Offshore Logistics, Inc.                    | 6.125            | 06/15/13    | 350,000             |    |
| P Q Corporation                             | 7.500            | 02/15/13    | 685,000             |    |
| Pacific Energy Partners                     | 7.125            | 06/15/14    | 250,000             |    |
| Pacific Energy Partners                     | 6.250            | 09/15/15    | 100,000             |    |

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|                                  |        |          |         |
|----------------------------------|--------|----------|---------|
| Pinnacle Foods Group             | 8.250  | 12/01/13 | 225,000 |
| Pliant Corporation               | 11.850 | 06/15/09 | 643,130 |
| Primedia, Inc.                   | 8.000  | 05/15/13 | 500,000 |
| Quicksilver Resources, Inc       | 7.125  | 04/01/16 | 600,000 |
| Rent-A-Center, Inc.              | 7.500  | 05/01/10 | 250,000 |
| Rent-Way, Inc.                   | 11.875 | 06/15/10 | 450,000 |
| Rock-Tenn Co.                    | 8.200  | 08/15/11 | 500,000 |
| Rogers Wireless, Inc.            | 7.250  | 12/15/12 | 90,000  |
| Rogers Wireless, Inc.            | 7.500  | 03/15/15 | 560,000 |
| Rogers Wireless, Inc.            | 8.000  | 12/15/12 | 90,000  |
| Samsonite Corporation            | 8.875  | 06/01/11 | 500,000 |
| Sheridan Acquisition Corporation | 10.250 | 08/15/11 | 225,000 |
| Sierra Pacific Resources         | 6.750  | 08/15/17 | 330,000 |
| Sungard Data Systems             | 9.125  | 08/15/13 | 75,000  |
| Tekni-Plex, Inc.                 | 12.750 | 06/15/10 | 500,000 |
| Telex Communications, Inc.       | 11.500 | 10/15/08 | 250,000 |
| Tenet Healthcare Corporation     | 6.375  | 12/01/11 | 250,000 |
| Tenet Healthcare Corporation     | 9.875  | 07/01/14 | 350,000 |
| Tenneco, Inc.                    | 8.625  | 11/15/14 | 500,000 |
| Texas Industries, Inc.           | 7.250  | 07/15/13 | 35,000  |
| Triton P C S, Inc.               | 8.500  | 06/01/13 | 500,000 |
| Tyco International Group SA      | 6.375  | 10/15/11 | 150,000 |
| Unisys Corporation               | 8.000  | 10/15/12 | 90,000  |
| United Components, Inc.          | 9.375  | 06/15/13 | 535,000 |
| United Rentals, Inc.             | 7.750  | 11/15/13 | 325,000 |
| Universal City Florida           | 8.375  | 05/01/10 | 100,000 |
| Universal City Florida (C)       | 10.239 | 05/01/10 | 100,000 |
| Vought Aircraft Industries       | 8.000  | 07/15/11 | 650,000 |
| Warner Music Group               | 7.375  | 04/15/14 | 125,000 |
| Wornick Co.                      | 10.875 | 07/15/11 | 350,000 |

TOTAL BONDS

33,

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.) MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

| CORPORATE PUBLIC SECURITIES (A) (Continued) | Interest<br>Rate | Due<br>Date | Shares or<br>Principal<br>Amount | C     |
|---|------------------|-------------|----------------------------------|-------|
|   | -----            | -----       | -----                            | ----- |
| COMMON STOCK - 0.04%                        |                  |             |                                  |       |
| Bare Escentuals, Inc. (B)                   |                  |             | 200                              | \$    |
| Distributed Energy Systems Corporation      |                  |             | 14,000                           |       |
| TOTAL COMMON STOCK                          |                  |             |                                  |       |
| CONVERTIBLE BONDS - 0.64%                   |                  |             |                                  |       |
| Citadel Broadcasting Corporation            | 1.875%           | 02/15/11    | \$ 300,000                       | \$    |
| ICOS Corporation                            | 2.000            | 07/01/23    | 375,000                          |       |
| Q L T, Inc.                                 | 3.000            | 09/15/23    | 305,000                          |       |

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TOTAL CONVERTIBLE BONDS

TOTAL CORPORATE PUBLIC SECURITIES

\$ 34,  
-----

| SHORT-TERM SECURITIES:      | Interest<br>Rate/Yield | Due<br>Date | Principal<br>Amount | C               |
|-----------------------------|------------------------|-------------|---------------------|-----------------|
|                             | -----                  | -----       | -----               | -----           |
| COMMERCIAL PAPER - 6.48%    |                        |             |                     |                 |
| ConocoPhillips              | 5.320%                 | 10/02/06    | \$ 2,669,000        | \$ 2,           |
| Detroit Edison Co.          | 5.300                  | 10/02/06    | 2,223,000           | 2,              |
| Detroit Edison Co.          | 5.310                  | 10/03/06    | 2,000,000           | 1,              |
| Kraft Foods, Inc.           | 5.330                  | 10/04/06    | 1,711,000           | 1,              |
|                             |                        |             |                     | -----           |
| TOTAL SHORT-TERM SECURITIES |                        |             |                     | \$ 8,           |
|                             |                        |             |                     | -----           |
| TOTAL INVESTMENTS           | 106.70%                |             |                     | \$141,<br>===== |
| Other Assets                | 6.40                   |             |                     |                 |
| Liabilities                 | (13.10)                |             |                     |                 |
|                             | -----                  |             |                     |                 |
| TOTAL NET ASSETS            | 100.00%                |             |                     | =====           |

- (A) In each of the convertible note, warrant, convertible preferred and common stock investments, to provide certain registration rights.
- (B) Non-income producing security.
- (C) Variable rate security; rate indicated is as of 09/30/06.
- (D) Defaulted security; interest not accrued.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONT.)      MASSMUTUAL PARTICIPATION INVESTORS

September 30, 2006  
(Unaudited)

| INDUSTRY CLASSIFICATION:              | Fair Value/<br>Market Value |                            |
|---------------------------------------|-----------------------------|----------------------------|
|                                       | -----                       |                            |
| AEROSPACE - 3.11%                     |                             | BUILDINGS & REAL ESTATE -  |
| Argo Tech Corporation                 | \$ 442,000                  | Adorn, Inc.                |
| Consolidated Foundries Holdings       | 1,407,945                   | Texas Industries, Inc.     |
| Esterline Technologies                | 176,750                     | TruStile Doors, Inc.       |
| Gencorp, Inc.                         | 135,200                     |                            |
| P A S Holdco LLC                      | 1,371,829                   |                            |
| Vought Aircraft Industries            | 596,375                     |                            |
|                                       | -----                       |                            |
|                                       | 4,130,099                   | CHEMICAL, PLASTICS         |
|                                       | -----                       | & RUBBER - 1.50%           |
| AUTOMOBILE - 10.25%                   |                             | BCP Crystal US Holding Cor |
| Ford Motor Credit Co.                 | 728,853                     | Capital Specialty Plastics |
| Fuel Systems Holding Corporation      | 1,343,643                   | Koppers, Inc.              |
| General Motors Acceptance Corporation | 735,343                     | Lyondell Chemical Co.      |
| Goodyear Tire & Rubber Co.            | 441,875                     | Nalco Co.                  |
| Jason, Inc.                           | 1,052,564                   | Nova Chemicals Corporation |
|                                       |                             | P Q Corporation            |

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|   |            |
|---|------------|
| LIH Investors, L.P.                     | 2,156,913  |
| Metaldyne Corporation                   | 343,400    |
| Nyloncraft, Inc.                        | 1,423,432  |
| Ontario Drive & Gear Ltd.               | 1,323,483  |
| Qualis Automotive LLC                   | 1,679,119  |
| Tenneco, Inc.                           | 493,750    |
| Transtar Holding Company                | 1,354,302  |
| United Components, Inc.                 | 529,650    |
|   | -----      |
|   | 13,606,327 |
|   | -----      |
| BEVERAGE, DRUG & FOOD - 3.84%           |            |
| Beta Brands Ltd.                        | --         |
| Cains Foods, L.P.                       | 71,629     |
| Del Monte Corporation                   | 209,750    |
| Dominos Pizza, Inc.                     | 114,450    |
| Eagle Pack Pet Foods, Inc.              | 845,656    |
| National Wine & Spirits, Inc.           | 25,250     |
| Nonni's Food Company                    | 1,177,789  |
| Pinnacle Foods Group                    | 225,281    |
| River Ranch Fresh Foods LLC             | 780,000    |
| Specialty Foods Group, Inc.             | --         |
| Vitality Foodservice, Inc.              | 1,301,123  |
| Wornick Co.                             | 348,250    |
|   | -----      |
|   | 5,099,178  |
|   | -----      |
| BROADCASTING &<br>ENTERTAINMENT - 1.99% |            |
| Cablevision Systems Corporation         | 506,250    |
| Charter Communications Op LLC           | 251,875    |
| Citadel Broadcasting Corporation        | 244,125    |
| Liberty Media Corporation               | 471,811    |
| Lodgenet Entertainment Corporation      | 401,250    |
| Mediacom LLC                            | 766,875    |
|   | -----      |
|   | 2,642,186  |
|   | -----      |

CONSUMER PRODUCTS - 7.53%  
 Augusta Sportswear Holding  
 Bravo Sports Holding Corpo  
 Euro-Pro Corporation  
 G F S I, Inc.  
 K N B Holdings Corporation  
 Momentum Holding Co.  
 Neff Motivation, Inc.  
 Royal Baths Manufacturing  
 The Tranzonic Companies  
 Walls Industries, Inc.  
 Winsloew Furniture, Inc.

CONTAINERS, PACKAGING  
 & GLASS - 5.49%  
 Flutes, Inc.  
 Maverick Acquisition Compa  
 P I I Holding Corporation  
 Packaging Dynamics Corpora  
 Paradigm Packaging, Inc.  
 Pliant Corporation  
 Tekni-Plex, Inc.  
 Vitex Packaging, Inc.

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

| INDUSTRY CLASSIFICATION: (Cont.)               | Fair Value/<br>Market Value |
|--|-----------------------------|
|  | -----                       |
| DISTRIBUTION - 3.34%                           |                             |
| Corvest Group, Inc.                            | \$ --                       |
| Kele and Associates, Inc.                      | 1,466,286                   |
| Magnatech International, Inc.                  | 1,019,282                   |
| O R S Nasco Holding, Inc.                      | 1,347,487                   |
| QualServ Corporation                           | 601,485                     |
| Strategic Equipment & Supply Corporation, Inc. | --                          |
|  | -----                       |
|  | 4,434,540                   |

FARMING & AGRICULTURE - 0.  
 Protein Genetics, Inc.  
 FINANCIAL SERVICES - 1.07%  
 Dollar Financial Group  
 East River Ventures I, L.P.  
 Highgate Capital LLC  
 Lazard LLC  
 Leucadia National Corporat



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|  |           |                            |
|--|-----------|----------------------------|
| -----                                  |           | T C W Leveraged Income Tru |
| DIVERSIFIED/CONGLOMERATE,              |           | Victory Ventures LLC       |
| MANUFACTURING - 6.14%                  |           |                            |
| AmerCable, Inc.                        | 804,289   |                            |
| Arrow Tru-Line Holdings, Inc.          | 1,260,715 |                            |
| Bombardier, Inc.                       | 448,750   | HEALTHCARE, EDUCATION      |
| Coining Corporation of America LLC     | 1,286,251 | & CHILDCARE - 4.31%        |
| Dexter Magnetics Technologies, Inc.    | 642,592   | A T I Acquisition Company  |
| Douglas Dynamics LLC                   | 307,125   | American Hospice Managemen |
| Evans Consoles, Inc.                   | --        | F H S Holdings LLC         |
| Radiac Abrasives, Inc.                 | 1,327,370 | ICOS Corporation           |
| Truck Bodies & Equipment International | 1,907,507 | Interactive Health LLC     |
| Tyco International Group SA            | 157,243   | MedAssist, Inc.            |
|  | -----     | Q L T, Inc.                |
|  | 8,141,842 | Tenet Healthcare Corporati |
|  | -----     |                            |
| DIVERSIFIED/CONGLOMERATE,              |           |                            |
| SERVICE - 5.85%                        |           |                            |
| Allied Waste NA                        | 511,250   | HOME & OFFICE FURNISHINGS, |
| Bare Escentuals, Inc.                  | 5,430     | HOUSEWARES, AND DURABLE    |
| CapeSuccess LLC                        | 2,512     | CONSUMER PRODUCTS - 6.74   |
| Chemed Corporation                     | 622,500   | Connor Sport Court Interna |
| Diversco, Inc./DHI Holdings, Inc.      | 1,252,858 | H M Holding Company        |
| Dwyer Group, Inc.                      | 1,496,254 | Home Decor Holding Company |
| Fowler Holding, Inc.                   | 1,348,990 | Justrite Manufacturing Acq |
| Interline Brands, Inc.                 | 151,875   | Monessen Holding Corporati |
| Iron Mountain, Inc.                    | 518,750   | Samsonite Corporation      |
| Keystone North America, Inc.           | 167,848   | Stanton Carpet Holding Co. |
| Mac-Gray Corporation                   | 306,000   | U-Line Corporation         |
| Moss, Inc.                             | 894,928   |                            |
| Service Corporation International      | 478,750   |                            |
|  | -----     |                            |
|  | 7,757,945 |                            |
|  | -----     |                            |
| ELECTRONICS - 2.85%                    |           |                            |
| A E S Corporation                      | 644,376   |                            |
| Arrow Electronics, Inc.                | 501,843   |                            |
| Directed Electronics, Inc.             | 2,069,207 |                            |
| Distributed Energy Systems             | 45,220    |                            |
| Electronic Data Systems Corporation    | 522,965   |                            |
|  | -----     |                            |
|  | 3,783,611 |                            |
|  | -----     |                            |

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

| INDUSTRY CLASSIFICATION: (Cont.) | Fair Value/<br>Market Value |                           |
|----------------------------------|-----------------------------|---------------------------|
|                                  | -----                       |                           |
| LEISURE, AMUSEMENT,              |                             | OIL AND GAS - 2.75%       |
| ENTERTAINMENT - 4.15%            |                             | Aventine Renewable Energy |
| IMAX Corporation                 | \$ 476,250                  | Basic Energy Services     |

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|  |           |                            |
|--|-----------|----------------------------|
| Intrawest Corporation                        | 268,438   | Chesapeake Energy Corporat |
| K 2, Inc.                                    | 146,063   | Clayton Williams Energy, I |
| Keepsake Quilting, Inc.                      | 662,513   | Exco Resources, Inc.       |
| M G M Mirage, Inc.                           | 222,188   | GulfMark Offshore, Inc.    |
| Majestic Star Casino LLC                     | 255,625   | North American Energy Part |
| O E D Corp/Diamond Jo Company Guarantee      | 500,000   | Offshore Logistics, Inc.   |
| Overton's Holding Company                    | 1,008,977 | Quicksilver Resources, Inc |
| Savage Sports Holding, Inc.                  | 1,122,822 |                            |
| Tunica-Biloxi Gaming Authority               | 520,000   |                            |
| Universal City Florida                       | 203,125   |                            |
| Warner Music Group                           | 121,875   | PHARMACEUTICALS - 1.05%    |
|  | -----     | CorePharma LLC             |
|  | 5,507,876 | Enzymatic Therapy, Inc.    |
|  | -----     |                            |
| MACHINERY - 6.96%                            |           |                            |
| Integration Technology Systems, Inc.         | 711,753   | PUBLISHING/PRINTING - 1.28 |
| Manitowoc Company, Inc.                      | 98,500    | Cadmus Communications Corp |
| Maxon Corporation                            | 1,805,179 | Houghton Mifflin Co.       |
| Morton Industrial Group, Inc.                | 1,364,945 | Primedia, Inc.             |
| Safety Speed Cut Manufacturing Company, Inc. | 1,288,297 | Sheridan Acquisition Corpo |
| Stewart & Stevenson LLC                      | 607,500   |                            |
| Synventive Equity LLC                        | 17,714    |                            |
| Tronair, Inc.                                | 1,899,474 |                            |
| Tubular Textile Machinery                    | 1,436,007 |                            |
|  | -----     | RETAIL STORES - 3.14%      |
|  | 9,229,369 | Blockbuster, Inc.          |
|  | -----     | Neiman Marcus Group, Inc.  |
| MEDICAL DEVICES/BIOTECH - 2.51%              |           | Olympic Sales, Inc.        |
| Beacon Medical Products, Inc.                | --        | Rent-A-Center, Inc.        |
| Coeur, Inc.                                  | 721,848   | Rent-Way, Inc.             |
| E X C Acquisition Corporation                | 68,734    | United Rentals, Inc.       |
| MicroGroup, Inc.                             | 1,660,813 |                            |
| OakRiver Technology, Inc.                    | 877,839   |                            |
|  | -----     | TECHNOLOGY - 2.06%         |
|  | 3,329,234 | C & J Spec-Rent Services,  |
|  | -----     | Sungard Data Systems       |
| MINING, STEEL, IRON &                        |           | Unisys Corporation         |
| NON PRECIOUS METALS - 0.04%                  |           |                            |
| U S S Holdings, Inc.                         | 54,525    |                            |
|  | -----     |                            |
| NATURAL RESOURCES - 0.93%                    |           |                            |
| Abitibi-Consolidated, Inc.                   | 457,500   |                            |
| Appleton Papers, Inc.                        | 250,000   |                            |
| Rock-Tenn Co.                                | 520,000   |                            |
|  | -----     |                            |
|  | 1,227,500 |                            |
|  | -----     |                            |

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

|                                  |                             |
|----------------------------------|-----------------------------|
| INDUSTRY CLASSIFICATION: (Cont.) | Fair Value/<br>Market Value |
|                                  | -----                       |

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|   |                |
|---|----------------|
| TELECOMMUNICATIONS - 3.88%                                    |                |
| Cincinnati Bell, Inc.   | \$ 555,500     |
| Intelsat Subsidiary Holding Company Ltd.                      | 481,531        |
| ITC^DeltaCom, Inc.  | 1,465,532      |
| Nextel Communications, Inc.                                   | 412,696        |
| NTL Cable PLC   | 712,425        |
| Rogers Wireless, Inc.   | 787,587        |
| Telex Communications, Inc.                                    | 265,000        |
| Triton P C S, Inc.  | 463,750        |
|   | -----          |
|   | 5,144,021      |
|   | -----          |
| TRANSPORTATION - 1.54%  |                |
| NABCO, Inc.   | 653,843        |
| Tangent Rail Corporation                                      | 1,389,170      |
|   | -----          |
|   | 2,043,013      |
|   | -----          |
| UTILITIES - 3.07%   |                |
| Atlas Pipeline Partners                                       | 610,500        |
| Dynegy Holdings, Inc.   | 676,638        |
| Edison Mission Energy   | 237,938        |
| Inergy LP   | 77,625         |
| Markwest Energy Operating Co.                                 | 517,000        |
| N R G Energy, Inc.  | 596,250        |
| Pacific Energy Partners                                       | 353,500        |
| Petrohawk Energy Corporation                                  | 502,500        |
| Sierra Pacific Resources                                      | 330,138        |
| Tenaska Alabama Partners L.P.                                 | 177,157        |
|   | -----          |
|   | 4,079,246      |
|   | -----          |
| WASTE MANAGEMENT/<br>POLLUTION - 1.26%                        |                |
| Terra Renewal Services, Inc.                                  | 1,677,419      |
|   | -----          |
| TOTAL CORPORATE RESTRICTED AND<br>PUBLIC SECURITIES - 100.22% | \$ 132,969,875 |
|   | =====          |

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 ("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

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return by providing a high level of current income, the potential for growth of such income, and capital appreciation, by investing primarily in a portfolio of privately placed below investment grade, long-term corporate debt obligations purchased directly from their issuers, at least half of which normally will include equity features.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### A. VALUATION OF INVESTMENTS:

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

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

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

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whether or not securities are restricted securities and as to the legal requirements for public sale.

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

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

The consolidated financial statements include private placement restricted securities valued at \$91,797,938 (69.19% of net assets) as of September 30, 2006 whose values have been determined by the Trustees in the absence of readily ascertainable market values. Due to the inherent uncertainty of valuation, those values may differ significantly from the

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

values that would have been used had a ready market for the securities existed, and the differences could be material.

The values for corporate public securities are stated at the last reported sales price or at prices based upon quotations obtained from brokers and dealers as of September 30, 2006, subject to discount where appropriate, and are approved by the Trustees.

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

#### B. ACCOUNTING FOR INVESTMENTS:

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

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

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of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### D. FEDERAL INCOME TAXES:

The Trust has elected to be taxed as a "regulated investment company" under the Internal Revenue Code, and intends to maintain this qualification, and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that Trustees either designate the net realized long-term gains as undistributed and pay the federal capital gains taxes thereon, or distribute all or a portion of such net gains.

The Trust is taxed as a regulated investment company and is therefore limited as to the amount of non-qualified income that it may receive as the result of operating a trade or business, e.g. the Trust's pro rata share of income allocable to the Trust by a partnership operating company. The Trust's violation of this limitation could result in the loss of its status as a regulated investment company, thereby subjecting all of its net income and capital gains to corporate taxes prior to distribution to its shareholders. The Trust, from time-to-time, identifies investment opportunities in the securities of entities that could cause such trade or business income to be allocable to the Trust. The MMPI Subsidiary Trust (described in Footnote 1, above) was formed in order to allow investment in such securities without adversely affecting the Trust's status as a regulated investment company.

The MMPI Subsidiary Trust is not taxed as a regulated investment company. Accordingly, prior to the Trust's receiving any distributions from the MMPI Subsidiary Trust, all of the MMPI Subsidiary Trust's taxable income and realized gains, including non-qualified income and realized gains, is subject to taxation at prevailing corporate tax rates. For the nine months ended September 30, 2006, the MMPI Subsidiary Trust has accrued tax expense on net realized gains of \$178,074 and reduced accrued deferred tax expenses on net unrealized gains by \$4,449.

### 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.

## 3. INVESTMENT ADVISORY AND ADMINISTRATIVE SERVICES FEE

### A. SERVICES:

Under an Investment Advisory and Administrative Services Contract (the "Contract") with the Trust, Babson Capital has agreed to use its best efforts to present to the Trust a continuing and suitable investment program consistent with the investment objectives and policies of the Trust. Babson Capital represents the Trust in any negotiations with issuers, investment banking firms, securities brokers or dealers and other institutions or investors relating to the Trust's investments. Under the Contract, Babson Capital provides administration of the day-to-day operations of the Trust and provides the Trust with office space and office equipment, accounting and bookkeeping services, and necessary executive, clerical and secretarial personnel for the performance of the foregoing services.

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### B. FEE:

For its services under the Contract, Babson Capital is paid a quarterly Investment Advisory fee equal to .225% of the value of the Trust's net assets as of the last business day of each fiscal quarter, an amount approximately equivalent to .90% on an annual basis. A majority of the Trustees, includ-

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

ing 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 (the "Note") issued by the Trust in 1995. The Note, as amended, is due December 13, 2011 and accrues interest at 5.80% per annum. MassMutual, at its option, can convert the principal amount of the Note into common shares. The dollar amount of principal would be converted into an equivalent dollar amount of common shares based upon the average price of the common shares for ten business days prior to the notice of conversion. For the nine months ended September 30, 2006, the Trust incurred total interest expense on the Note of \$522,000.

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

##### B. REVOLVING CREDIT AGREEMENT

The Trust entered into a \$15,000,000 Revolving Credit Agreement with Bank of America (formerly Fleet National Bank) (the "Agent Bank") dated May 29, 1997, 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 September 30, 2006, there were no outstanding loans against the Revolver. For the nine months ended September 30, 2006, the Trust incurred





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|                     |                        |                               |
|---------------------|------------------------|-------------------------------|
| Donald Glickman     | Rodney J. Dillman      | Vice President &<br>Secretary |
| Martin T. Hart*     |                        |                               |
| Robert E. Joyal     | Jill A. Fricchione     | Vice President                |
| Corine T. Norgaard* | Michael P. Hermsen     | Vice President                |
|                     | Mary Wilson Kibbe      | Vice President                |
|                     | Michael L. Klofas      | Vice President                |
|                     | Richard E. Spencer, II | Vice President                |
|                     | Ronald S. Talaia       | Treasurer                     |
|                     | John T. Davitt, Jr.    | Comptroller                   |
|                     | Melissa M. LaGrant     | Chief Compliance<br>Officer   |

\*MEMBER OF THE AUDIT COMMITTEE

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### 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.

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PARTICIPATION INVESTORS

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