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MASSMUTUAL PARTICIPATION INVESTORS  
Form N-CSR  
March 07, 2008

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number 811-5531  
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MassMutual Participation Investors  
-----

(Exact name of registrant as specified in charter)

1500 Main Street, Suite 600, P.O. Box 15189, Springfield, MA 01115-5189  
-----

(Address of principal executive offices) (Zip code)

Rodney J. Dillman, Vice President and Secretary  
1500 Main Street, Suite 2800, P.O. Box 15189, Springfield, MA 01115-5189  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: 413-226-1000  
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Date of fiscal year end: 12/31  
-----

Date of reporting period: 12/31/07  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORT TO STOCKHOLDERS.

Attached hereto is the annual shareholder report transmitted to shareholders pursuant to Rule 30e-1 of the Investment Company Act of 1940, as amended.

[LOGO] MASSMUTUAL PARTICIPATION INVESTORS

2007 ANNUAL REPORT

MASSMUTUAL PARTICIPATION INVESTORS  
c/o Babson Capital Management LLC  
1500 Main Street  
Suite 600, P.O. Box 15189  
Springfield, Massachusetts 01115-5189  
(413) 226-1516  
<http://www.BabsonCapital.com/mpv>

ADVISER

Babson Capital Management LLC  
1500 Main Street, P.O. Box 15189  
Springfield, Massachusetts 01115-5189

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP  
Boston, Massachusetts 02110

COUNSEL TO THE TRUST

Ropes & Gray LLP  
Boston, Massachusetts 02110

CUSTODIAN

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

TRANSFER AGENT & REGISTRAR

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

MPV  
Listed  
NYSE

PROXY VOTING POLICIES & PROCEDURES;  
PROXY VOTING RECORD

The Trustees of MassMutual Participation Investors (the "Trust") have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Babson Capital Management LLC ("Babson Capital"). A description of Babson Capital's proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 1-866-399-1516; (2) on the Trust's

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website at <http://www.BabsonCapital.com/mpv>; and (3) on the U.S. Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, 2007 is available (1) on the Trust's web-site at <http://www.BabsonCapital.com/mpv>; and (2) on the SEC's website at <http://www.sec.gov>.

### FORM N-Q

The Trust files its complete schedule of portfolio holdings with the 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 on the Trust's website at <http://www.BabsonCapital.com/mpv> or upon request by calling, toll-free, 1-866-399-1516.

### MASSMUTUAL PARTICIPATION INVESTORS

MassMutual Participation Investors is a closed-end investment company, first offered to the public in 1988, whose shares are traded on the New York Stock Exchange.

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MassMutual Participation Investors

### INVESTMENT OBJECTIVE & POLICY

MassMutual Participation Investors (the "Trust") is a closedend 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 either the New York Stock Exchange listings or Closed-End Fund 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 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. Below investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest and repay principal. 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.

In this report you will find a complete listing of the Trust's holdings. We encourage you to read this section carefully for a better understanding of the Trust. We cordially invite all shareholders to attend the Trust's Annual Meeting of Shareholders, which will be held on April 25, 2008 at 1:00 P.M. in Springfield, Massachusetts.

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MassMutual Participation Investors

TOTAL ANNUAL PORTFOLIO RETURN (AS OF 12/31 EACH YEAR)\*

[BAR CHART APPEARS HERE]

|       |       |       |      |        |       |       |       |       |       |   |
|-------|-------|-------|------|--------|-------|-------|-------|-------|-------|---|
| 10.91 | 4.77  | 8.11  | 3.47 | 5.70   | 23.72 | 25.14 | 22.51 | 18.64 | 9.95  | MASSMUTUAL<br>INVESTORS<br>IN THE NET<br>REINVESTED |
| -2.56 | 21.26 | -3.03 | 2.49 | -20.48 | 47.25 | 18.33 | 4.55  | 18.37 | -1.57 | RUSSELL 20  |
| 1.87  | 2.39  | -5.86 | 5.28 | -1.41  | 28.97 | 11.13 | 2.74  | 11.85 | 1.87  | LEHMAN BRO<br>CORPORATE                             |
| 1998  | 1999  | 2000  | 2001 | 2002   | 2003  | 2004  | 2005  | 2006  | 2007  |   |

\* Data for MassMutual Participation Investors (the "Trust") represents portfolio returns based on change in the Trust's net asset value assuming the reinvestment of all dividends and distributions which differs from the total investment return based on market value of the Trust's shares due to the difference between the Trust's net asset value and the market value of its shares outstanding (see page 12 for total investment return based on market value); past performance is no guarantee of future results.

PORTFOLIO COMPOSITION AS OF 12/31/07\*

[PIE CHART APPEARS HERE]

|  |   |
|--|---|
| Private / 144A<br>High Yield Debt<br>54.0% | Cash & Short Term<br>Invesments<br>6.1% |
| Private Investment<br>Grade Debt<br>1.4%   | Public High<br>Yield Debt<br>21.4%      |
| Private / Restricted<br>Equity<br>15.7%    | Public Equity<br>1.4%                   |

\*Based on value of total investments (including cash)

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MassMutual Participation Investors

TO OUR SHAREHOLDERS

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2007.

THE TRUST'S 2007 PORTFOLIO PERFORMANCE

The Trust's net total portfolio rate of return for 2007 was 9.95%, as measured by the change in net asset value, assuming the reinvestment of all dividends and

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distributions. The Trust's total net assets were \$126,625,334, or \$12.84 per share, as of December 31, 2007 compared to \$126,515,013, or \$12.90 per share, as of December 31, 2006. The Trust paid a quarterly dividend of 25 cents per share for each quarter of 2007, with the fourth quarter dividend paid in January 2008. In addition, the Trust declared a special year-end dividend of 25 cents per share, paid in January to shareholders of record on December 31, 2007, bringing total dividends for the year to \$1.25 per share. We are very pleased with the Trust's 2007 portfolio performance.

The table below lists the average annual net returns of the Trust's portfolio, based on the change in net assets, assuming the reinvestment of all dividends and distributions, compared to the average annual returns of the Lehman Brothers U.S. Corporate High Yield Index and the Russell 2000 Index for the 1, 3, 5 and 10 years ended December 31, 2007.

|         | The Trust | Lehman Brothers U.S.<br>Corporate High Yield Index | Russell<br>2000 Index |
|---------|-----------|--|-----------------------|
| 1 Year  | 9.95%     | 1.87%  | -1.57%                |
| 3 Year  | 16.91%    | 5.39%  | 6.80%                 |
| 5 Year  | 19.86%    | 10.90%   | 16.24%                |
| 10 Year | 13.01%    | 5.51%  | 7.08%                 |

Past performance is no guarantee of future results.

[PHOTO OF PRESIDENT AND CHAIRMAN]

Left to right:

Clifford M. Noreen  
PRESIDENT

Roger W. Crandall  
CHAIRMAN

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### MassMutual Participation Investors

The U.S. economy and investment markets started the year strong but 2007 will long be remembered for the major mortgage- and credit-market crisis that wreaked havoc in the second half of the year and into 2008. The issues began in the residential sub-prime mortgage market, where underwriting standards that began loosening in 2005 allowed many homeowners to borrow debt that could only be supported by continuously rising home prices. As housing prices softened, mortgage defaults and foreclosures rose dramatically and mortgage related collateralized debt obligation (CDO) products also suffered. General investor confidence began to tumble, and the major stock market indexes experienced declines and volatility not seen in some time, eventually closing the year with modest gains but concerns among many analysts of what could be next.

Overall, the US economy finished 2007 on an uncertain note. The unemployment rate was 5 percent in December, up from 4.5 percent the previous year, according to the US Department of Labor. Also, core inflation was 2.3 percent at year's end, not quite as bad as the 2.6 percent increase during 2006. The value of the dollar versus several other currencies, however, dropped precipitously in 2007.

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The corporate credit market continued a remarkable run, as corporate credit defaults around the globe continued their downward trend for the fifth consecutive year, according to Moody's Investors Service. Moody's global issuer-weighted speculative grade default rate finished the year at 0.9 percent, down from 1.7 percent in 2006 and its lowest level since 1981. Moody's expects the default rate to climb in 2008 to 4.8 percent and reach its historical average of 5 percent in 2009. Corporate bond spreads widened significantly in the second half of 2007 and the trend continued at the beginning of 2008.

### PORTFOLIO ACTIVITY

Overall, the Trust closed 20 new private placement transactions during 2007 and added to five existing private placement investments. Total direct placement purchases were \$23,908,409.

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### MassMutual Participation Investors

New private placement transactions invested in during the year were: Advanced Technologies Holdings, Inc.; A H C Holding Company Inc.; Aero Holdings, Inc.; Connecticut Electric, Inc.; Electra Bicycle Company LLC; Golden Country Foods Holding, Inc.; NetShape Technologies, Inc.; K H O F Holdings, Inc.; K W P I Holdings Corporation; K-Tek Holding Corporation; Mail Communications Group, Inc.; Nesco Holdings Corporation; Pacific Consolidated Holdings LLC; Smart Source Holdings LLC; Torrent Group Holdings, Inc.; Total Equipment & Service, Inc.; Transpac Holding Company; Visioneering, Inc.; Waggin' Train Holdings LLC; and Workplace Media Holding Co.

In addition, the Trust added to existing private placement investments in HM Holding Company; Moss, Inc.; NABCO, Inc.; Savage Sports Holding, Inc.; and Transtar Holding Company.

The Trust also had 14 realizations in 2007.

[PHOTO OF OFFICERS]

Left to right:

James M. Roy  
VICE PRESIDENT & CHIEF  
FINANCIAL OFFICER

Rodney J. Dillman  
VICE PRESIDENT, SECRETARY  
& CHIEF LEGAL OFFICER

Jill A. Fields  
VICE PRESIDENT

Michael P. Hermsen  
VICE PRESIDENT

Michael L. Klofas  
VICE PRESIDENT

Richard E. Spencer, II  
VICE PRESIDENT

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MassMutual Participation Investors

### OUTLOOK FOR 2008

The year 2008 opened with worldwide financial markets under pressure. The credit crisis continues to find new victims and with each new report, investor confidence wanes further. Consumer confidence showed cracks in late 2007, and the housing market may take some time to hit bottom. Oil prices rose to new heights in the latter half of 2007 and approached \$100 per barrel. Early Fed action in 2008 indicates that it is targeting lower interest rates to help the residential real estate market and weakening economy. As always, no one can predict the future with any degree of certainty.

Despite all this, merger and acquisition activity continued at a record pace in 2007, although activity is expected to be lower in 2008. Last year saw \$4.5 trillion in announced deals worldwide, up 24 percent from 2006, according to Thomson Financial, and included the three largest leveraged buyouts in history. Private equity firms had been a significant part of the activity in the first six months of 2007 (reportedly more than 30 percent of total volume), but nearly disappeared in the second half of the year and are expected to be very quiet at the start of 2008. Corporate buyers are expected to be more active players, as they are flush with cash.

Regardless of the economic environment, however, the Trust continues to repeatedly employ the investment philosophy that has served it well since its inception: investing in companies which we believe have a strong business model, solid cash flow and experienced, ethical management. This philosophy, combined with Babson Capital's seasoned investment-management team and the Trust's financial position, contribute to the Trust being well positioned for future investment opportunities that meet its investment objectives and policies. As always, I would like to thank you for your continued interest in and support of MassMutual Participation Investors.

Sincerely,

/s/ Clifford M. Noreen  
Clifford M. Noreen,  
President

Cautionary Notice: Certain statements contained in this report may be "forward looking" statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date in which they are made and which reflect management's current estimates, projections, expectations or beliefs, and which are subject to risks and uncertainties that may cause actual results to differ materially. These statements are subject to change at any time based upon economic, market or other conditions and may not be relied upon as investment advice or an indication of the Trust's trading intent. References to specific securities are not recommendations of such securities, and may not be representative of the Trust's current or future investments. We undertake no obligation to publicly update forward looking statements, whether as a result of new information, future events, or otherwise.

| 2007<br>Dividends | Record<br>Date | Net Investment<br>Income | Short-Term<br>Gains | Tax<br>Effect | Long-Term<br>Gains |
|-------------------|----------------|--------------------------|---------------------|---------------|--------------------|
| Regular           | 5/7/2007       | 0.2500                   | --                  |               | --                 |
|                   | 7/27/2007      | 0.2500                   | --                  |               | --                 |
|                   | 10/29/2007     | 0.2500                   | --                  |               | --                 |
|                   | 12/31/2007     | 0.2500                   | --                  |               | --                 |
| Special           | 12/31/2007     | 0.2310                   | 0.0190              |               | --                 |

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\$ 1.2310                      \$ 0.0190                      \$ 1.2500                      \$ --

The following table summarizes the tax effects of the retention of capital gains for 2007:

|                            | AMOUNT PER SHARE | FORM 2439 |
|----------------------------|------------------|-----------|
| 2007 Gains Retained        | 0.1802           | Line 1a   |
| Long - Term Gains Retained | 0.1802           |           |
| Taxes Paid                 | 0.0631           | Line 2*   |
| Basis Adjustment           | 0.1171           | **        |

\* If you are not subject to federal capital gains tax (e.g., charitable organizations, IRAs and Keogh Plans), you may be able to claim a refund by filing Form 990-T.

\*\* For federal income tax purposes, you may increase the adjusted cost basis of your shares by this amount (the excess of Line 1a over Line 2).

| Annual Dividend<br>Amount Per Share | Qualified for Dividend<br>Received Deduction*** |                  | Qualified Dividends**** |                  | Interest Earned<br>U.S. Gov't. Obliga |            |
|-------------------------------------|---|------------------|-------------------------|------------------|---------------------------------------|------------|
|                                     | Percent   | Amount Per Share | Percent                 | Amount Per Share | Percent                               | Amount Per |
| \$1.25                              | 14.2106%  | 0.1775           | 15.1898%                | 0.1897           | 0%                                    | 0.00       |

\*\*\* Not available to individual shareholders

\*\*\*\* Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2007

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MassMutual Participation Investors

FINANCIAL REPORT

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MassMutual Participation Investors

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES  
December 31, 2007

ASSETS:

Investments

(See Consolidated Schedule of Investments)

|  |                |
|--|----------------|
| Corporate restricted securities at fair value<br>(Cost - \$98,834,452) | \$ 100,222,485 |
| Corporate public securities at market value<br>(Cost - \$32,978,150)   | 32,092,037     |
| Short-term securities at amortized cost                                | 7,525,258      |
|  | -----          |
|  | 139,839,780    |
|  | -----          |
| Cash   | 1,029,074      |
| Interest receivable  | 2,993,441      |
| Receivable for investments sold  | 955,352        |
|  | -----          |
| TOTAL ASSETS   | 144,817,647    |
|  | -----          |

LIABILITIES:

|                                 |                |
|---------------------------------|----------------|
| Dividend payable                | 4,930,806      |
| Investment advisory fee payable | 284,907        |
| Note payable                    | 12,000,000     |
| Interest payable                | 92,755         |
| Accrued expenses                | 125,115        |
| Accrued taxes payable           | 755,592        |
| Other payables                  | 3,138          |
|                                 | -----          |
| TOTAL LIABILITIES               | 18,192,313     |
|                                 | -----          |
| TOTAL NET ASSETS                | \$ 126,625,334 |
|                                 | =====          |

NET ASSETS:

|   |                |
|---|----------------|
| Common shares, par value \$.01 per share; an unlimited<br>number authorized | \$ 98,616      |
| Additional paid-in capital  | 91,741,979     |
| Retained net realized gain on investments, prior years                      | 32,187,872     |
| Undistributed net investment income   | 991,196        |
| Accumulated net realized gain on investments                                | 1,103,751      |
| Net unrealized appreciation of investments                                  | 501,920        |
|   | -----          |
| TOTAL NET ASSETS  | \$ 126,625,334 |
|   | -----          |
| COMMON SHARES ISSUED AND OUTSTANDING  | 9,861,611      |
|   | -----          |
| NET ASSET VALUE PER SHARE   | \$ 12.84       |
|   | =====          |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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MassMutual Participation Investors

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### CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2007

|   |               |
|---|---------------|
| INVESTMENT INCOME:  |               |
| Interest  | \$ 12,735,335 |
| Dividends   | 1,750,121     |
| Other   | 60,406        |
|   | -----         |
| TOTAL INVESTMENT INCOME   | 14,545,862    |
|   | -----         |
| EXPENSES:   |               |
| Investment advisory fees  | 1,168,468     |
| Interest  | 720,475       |
| Professional fees   | 180,800       |
| Trustees' fees and expenses                                       | 157,000       |
| Reports to shareholders   | 110,000       |
| Custodian fees  | 28,500        |
| Transfer agent/registrar's expenses                               | 20,000        |
| Other   | 102,659       |
|   | -----         |
| TOTAL EXPENSES  | 2,487,902     |
|   | -----         |
| INVESTMENT INCOME - NET   | 12,057,960    |
|   | -----         |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:           |               |
| Net realized gain on investments before taxes                     | 1,904,589     |
| Income tax expense  | (720,563)     |
|   | -----         |
| NET REALIZED GAIN ON INVESTMENTS                                  | 1,184,026     |
|   | -----         |
| Net change in unrealized appreciation of investments before taxes | (2,028,367)   |
| Net change in deferred income tax expense                         | 384,226       |
|   | -----         |
| NET CHANGE IN UNREALIZED APPRECIATION OF INVESTMENTS              | (1,644,141)   |
|   | -----         |
| NET LOSS ON INVESTMENTS   | (460,115)     |
|   | -----         |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS              | \$ 11,597,845 |
|   | =====         |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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MassMutual Participation Investors

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2007

|   |              |
|---|--------------|
| NET DECREASE IN CASH:   |              |
| Cash flows from operating activities:                                   |              |
| Purchases/Proceeds/Maturities from short-term portfolio securities, net | \$ (328,363) |
| Purchases of portfolio securities                                       | (43,655,661) |
| Proceeds from disposition of portfolio securities                       | 45,755,626   |
| Interest, dividends and other received                                  | 13,818,169   |
| Interest expense paid   | (716,653)    |
| Operating expenses paid   | (1,782,528)  |
| Income taxes paid   | (3,540,046)  |
|   | -----        |

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|  |               |
|--|---------------|
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | 9,550,544     |
| -----  |               |
| Cash flows from financing activities:  |               |
| Cash dividends paid from net investment income   | (11,896,704)  |
| Cash dividends paid from net realized gain on investments                                  | (96,562)      |
| Receipts for shares issued on reinvestment of dividends                                    | 828,061       |
| -----  |               |
| NET CASH USED FOR FINANCING ACTIVITIES   | (11,165,205)  |
| -----  |               |
| NET DECREASE IN CASH   | (1,614,661)   |
| Cash - beginning of year   | 2,643,735     |
| -----  |               |
| CASH - END OF YEAR   | \$ 1,029,074  |
| -----  |               |
| RECONCILIATION OF NET INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: |               |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS                                       | \$ 11,597,845 |
| -----  |               |
| Decrease in investments  | 1,858,297     |
| Decrease in interest and dividends receivable  | 7,385         |
| Increase in receivable for investments sold  | (698,860)     |
| Increase in investment advisory fee payable  | 248           |
| Increase in interest payable   | 3,822         |
| Decrease in accrued expenses   | (17,622)      |
| Decrease in accrued taxes payable  | (3,203,709)   |
| Increase in other payables   | 3,138         |
| -----  |               |
| TOTAL ADJUSTMENTS TO NET ASSETS FROM OPERATIONS  | (2,047,301)   |
| -----  |               |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | \$ 9,550,544  |
| =====  |               |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### MassMutual Participation Investors

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
For the years ended December 31, 2007 and 2006

|  | 2007          | 2006          |
|--|---------------|---------------|
|  | -----         | -----         |
| INCREASE IN NET ASSETS:  |               |               |
| OPERATIONS:  |               |               |
| Investment income - net  | \$ 12,057,960 | \$ 10,728,662 |
| Net realized gain on investments   | 1,184,026     | 6,733,116     |
| Net change in unrealized appreciation of investments                                 | (1,644,141)   | 814,564       |
| -----  |               | -----         |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS                                 | 11,597,845    | 18,276,342    |
| -----  |               | -----         |
| Increase from common shares issued on reinvestment of dividends                      |               |               |
| Common shares issued (2007 - 56,329; 2006 - 61,052)                                  | 828,061       | 867,979       |
| Dividends to shareholders from:  |               |               |
| Net investment income (2007 - \$1.23 per share; 2006 - \$1.18 per share)             | (12,127,939)  | (11,551,712)  |
| Net realized gains on investments (2007 - \$0.02 per share; 2006 - \$0.01 per share) | (187,646)     | (96,562)      |
| -----  |               | -----         |

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|  |               |               |
|--|---------------|---------------|
| TOTAL INCREASE IN NET ASSETS   | 110,321       | 7,496,047     |
|  | -----         | -----         |
| NET ASSETS, BEGINNING OF YEAR  | 126,515,013   | 119,018,966   |
|  | -----         | -----         |
| NET ASSETS, END OF YEAR (INCLUDING UNDISTRIBUTED<br>NET INVESTMENT INCOME OF \$991,196 AND \$1,028,648,<br>RESPECTIVELY) | \$126,625,334 | \$126,515,013 |
|  | =====         | =====         |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### MassMutual Participation Investors

#### CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

| For the years ended December 31,  | 2007     | 2006     | 2005     | 2004     | 2003     |
|---|----------|----------|----------|----------|----------|
| -----   |          |          |          |          |          |
| NET ASSET VALUE: BEGINNING OF YEAR  | \$ 12.90 | \$ 12.21 | \$ 11.13 | \$ 9.84  | \$ 9.13  |
| Net investment income (a)   | 1.23     | 1.10     | 0.99     | 1.00     | 1.00     |
| Net realized and unrealized<br>gain (loss) on investments                 | (0.05)   | 0.77     | 1.09 (b) | 1.36     | 1.36     |
| TOTAL FROM INVESTMENT OPERATIONS  | 1.18     | 1.87     | 2.08     | 2.36     | 2.36     |
| Dividends from net investment<br>income to common shareholders            | (1.23)   | (1.18)   | (1.01)   | (1.10)   | (1.10)   |
| Dividends from net realized gain on<br>investments to common shareholders | (0.02)   | (0.01)   | --       | --       | --       |
| Increase from dividends reinvested  | 0.01     | 0.01     | 0.01     | 0.03     | 0.03     |
|   | -----    | -----    | -----    | -----    | -----    |
| TOTAL DIVIDENDS   | (1.24)   | (1.18)   | (1.00)   | (1.07)   | (1.07)   |
|   | -----    | -----    | -----    | -----    | -----    |
| NET ASSET VALUE: END OF YEAR  | \$ 12.84 | \$ 12.90 | \$ 12.21 | \$ 11.13 | \$ 10.42 |
|   | -----    | -----    | -----    | -----    | -----    |
| PER SHARE MARKET VALUE: END OF YEAR                                       | \$ 13.18 | \$ 14.70 | \$ 14.05 | \$ 13.31 | \$ 12.50 |
|   | =====    | =====    | =====    | =====    | =====    |

#### Total investment return

|   |           |           |           |           |          |
|---|-----------|-----------|-----------|-----------|----------|
| Market value  | (1.30)%   | 16.81%    | 17.25%    | 25.77%    | 30.12%   |
| Net asset value (c)   | 9.95%     | 18.64%    | 22.51%    | 25.14%    | 28.88%   |
| Net assets (in millions): End of year   | \$ 126.63 | \$ 126.52 | \$ 119.02 | \$ 107.61 | \$ 96.80 |
| Ratio of operating expenses to average<br>net assets                            | 1.36%     | 1.17%     | 1.45%     | 1.63%     | 1.81%    |
| Ratio of interest expense to average<br>net assets                              | 0.56%     | 0.57%     | 0.80%     | 0.89%     | 0.98%    |
| Ratio of income tax expense to average<br>net assets (d)                        | 0.48%     | 2.68%     | 2.83%     | 0.16%     | 0.16%    |
| Ratio of total expenses before custodian<br>reduction to average net assets (d) | 2.40%     | 4.46%     | 5.12%     | 2.68%     | 2.95%    |
| Ratio of net expenses after custodian<br>reduction to average net assets (d)    | 2.40%     | 4.42%     | 5.08%     | 2.68%     | 2.95%    |
| Ratio of net investment income to average<br>net assets                         | 9.32%     | 8.43%     | 8.45%     | 9.60%     | 10.77%   |
| Portfolio turnover  | 33%       | 34%       | 32%       | 51%       | 51%      |

(a) Calculated using average shares.

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- (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 assuming the reinvestment of all dividends and distributions which differs from the investment return based on the Trust's market value due to the difference between the Trust's asset value and the market value of its shares outstanding; past performance is no guarantee of future results.
- (d) As additional information, this ratio is included to reflect the taxes paid on retained long-term capital gains. These taxes paid are netted against realized capital gains in the Statement of Operations. The taxes paid are treated as deemed distributions and a credit for the taxes paid is passed on to shareholders.

### Senior securities:

|  |    |        |    |        |    |        |    |       |    |
|--|----|--------|----|--------|----|--------|----|-------|----|
| Total principal amount (in millions)       | \$ | 12     | \$ | 12     | \$ | 12     | \$ | 22.5  | \$ |
| Asset coverage per \$1,000 of indebtedness | \$ | 11,552 | \$ | 11,543 | \$ | 10,918 | \$ | 5,783 | \$ |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2007

|  | Principal Amount<br>Shares, Units or<br>Ownership<br>Percentage | Acquisition<br>Date |
|--|---|---------------------|
| CORPORATE RESTRICTED SECURITIES - 79.16% (A) |   |                     |

#### PRIVATE PLACEMENT INVESTMENTS - 74.56%

##### A H C HOLDING COMPANY, INC.

A DESIGNER AND MANUFACTURER OF BOILERS AND WATER HEATERS FOR THE COMMERCIAL SECTOR.

|                                       |    |            |          |
|---------------------------------------|----|------------|----------|
| 15% Senior Subordinated Note due 2015 | \$ | 1,230,991  | 11/21/07 |
| Limited Partnership Interest (B)      |    | 7.93% int. | 11/21/07 |

##### A T I ACQUISITION COMPANY

A FOR-PROFIT POST-SECONDARY SCHOOL SERVING STUDENTS IN TEXAS, FLORIDA AND ARIZONA.

|   |    |            |          |
|---|----|------------|----------|
| 12% Senior Subordinated Note due 2012   | \$ | 1,125,000  | 04/08/04 |
| Warrant, exercisable until 2012, to purchase preferred stock at \$.01 per share (B) |    | 7 shs.     | 11/16/07 |
| Warrant, exercisable until 2012, to purchase common stock at \$.02 per share (B)    |    | 1,230 shs. | 04/08/04 |

##### ADVANCED TECHNOLOGIES HOLDINGS

A PROVIDER OF FACTORY MAINTENANCE SERVICES TO INDUSTRIAL COMPANIES.

|                                       |    |           |          |
|---------------------------------------|----|-----------|----------|
| 15% Senior Subordinated Note due 2013 | \$ | 1,080,000 | 12/27/07 |
| Preferred Stock (B)                   |    | 546 shs.  | 12/27/07 |

##### AERO HOLDINGS, INC.

A PROVIDER OF GEOSPATIAL SERVICES TO CORPORATE AND GOVERNMENT CLIENTS.

|   |    |         |          |
|---|----|---------|----------|
| 10.5% Senior Secured Term Note due 2014 | \$ | 930,000 | 03/09/07 |
| 14% Senior Subordinated Note due 2015   | \$ | 720,000 | 03/09/07 |

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|   |              |          |
|---|--------------|----------|
| Common Stock (B)  | 150,000 shs. | 03/09/07 |
| Warrant, exercisable until 2015, to purchase<br>common stock at \$.01 per share (B) | 37,780 shs.  | 03/09/07 |

AMERICAN HOSPICE MANAGEMENT HOLDING LLC  
A FOR-PROFIT HOSPICE CARE PROVIDER IN THE UNITED STATES.

|                                       |              |          |
|---------------------------------------|--------------|----------|
| 12% Senior Subordinated Note due 2010 | \$ 1,125,000 | 01/22/04 |
| Preferred Class A Unit (B)            | 1,706 uts.   | *        |
| Common Class B Unit (B)               | 16,100 uts.  | 01/22/04 |
| Common Class D Unit (B)               | 3,690 uts.   | 09/12/06 |

\*01/22/04 and 09/12/06.

ARROW TRU-LINE HOLDINGS, INC.  
A MANUFACTURER OF HARDWARE FOR RESIDENTIAL AND COMMERCIAL OVERHEAD GARAGE DOORS IN NORTH AMERICA.

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

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

|  | Principal Amount |             |
|--|------------------|-------------|
|  | Shares, Units or |             |
|  | Ownership        | Acquisition |
|  | Percentage       | Date        |

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CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

AUGUSTA SPORTSWEAR HOLDING CO.  
A MANUFACTURER AND DISTRIBUTOR OF ATHLETIC APPAREL, ACTIVEWEAR AND TEAM UNIFORMS.

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

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

BRAVO SPORTS HOLDING CORPORATION  
A DESIGNER AND MARKETER OF NICHE BRANDED CONSUMER PRODUCTS INCLUDING CANOPIES, TRAMPOLINES, IN-LINE  
URETHANE WHEELS.

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

CAPESUCCESS LLC  
A PROVIDER OF DIVERSIFIED STAFFING SERVICES.

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|                                    |             |          |
|------------------------------------|-------------|----------|
| Preferred Membership Interests (B) | 806 uts.    | 04/29/00 |
| Common Membership Interests (B)    | 10,421 uts. | 04/29/00 |

CAPITAL SPECIALTY PLASTICS, INC.

A PRODUCER OF DESICCANT STRIPS USED FOR PACKAGING PHARMACEUTICAL PRODUCTS.

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

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

COEUR, INC.

A PRODUCER OF PROPRIETARY, DISPOSABLE POWER INJECTION SYRINGES.

|   |            |          |
|---|------------|----------|
| 8.75% Senior Secured Term Note due 2010 | \$ 202,899 | 04/30/03 |
|---|------------|----------|

|   |            |          |
|---|------------|----------|
| 11.5% Senior Subordinated Note due 2011 | \$ 242,754 | 04/30/03 |
|---|------------|----------|

|                  |             |          |
|------------------|-------------|----------|
| Common Stock (B) | 72,464 shs. | 04/30/03 |
|------------------|-------------|----------|

|   |             |          |
|---|-------------|----------|
| Warrant, exercisable until 2010, to purchase<br>common stock at \$.01 per share (B) | 50,099 shs. | 04/30/03 |
|---|-------------|----------|

CONNECTICUT ELECTRIC, INC.

A SUPPLIER AND DISTRIBUTOR OF ELECTRICAL PRODUCTS SOLD INTO THE RETAIL AND WHOLESALE MARKETS.

|                                       |              |          |
|---------------------------------------|--------------|----------|
| 12% Senior Subordinated Note due 2014 | \$ 1,267,387 | 01/12/07 |
|---------------------------------------|--------------|----------|

|  |             |          |
|--|-------------|----------|
| Limited Liability Company Unit Class A (B) | 82,613 uts. | 01/12/07 |
|--|-------------|----------|

|  |             |          |
|--|-------------|----------|
| Limited Liability Company Unit Class C (B) | 59,756 uts. | 01/12/07 |
|--|-------------|----------|

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### MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2007

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

CONNOR SPORT COURT INTERNATIONAL, INC.

A DESIGNER AND MANUFACTURER OF OUTDOOR AND INDOOR SYNTHETIC SPORTS FLOORING AND OTHER TEMPORARY FLOORING

|                                |            |          |
|--------------------------------|------------|----------|
| Preferred Stock Series B-2 (B) | 9,081 shs. | 07/05/07 |
|--------------------------------|------------|----------|

|                          |            |          |
|--------------------------|------------|----------|
| Preferred Stock Series C | 3,781 shs. | 07/05/07 |
|--------------------------|------------|----------|

|                  |          |          |
|------------------|----------|----------|
| Common Stock (B) | 380 shs. | 07/05/07 |
|------------------|----------|----------|

|                                  |            |   |
|----------------------------------|------------|---|
| Limited Partnership Interest (B) | 4.43% int. | * |
|----------------------------------|------------|---|

|   |         |    |
|---|---------|----|
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) | 92 shs. | ** |
|---|---------|----|

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

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 | 06/15/05 |
|---------------------------------------|--------------|----------|

|                  |          |   |
|------------------|----------|---|
| Common Stock (B) | 269 shs. | * |
|------------------|----------|---|

|   |         |          |
|---|---------|----------|
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) | 54 shs. | 06/15/05 |
|---|---------|----------|

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

COREPHARMA LLC

A MANUFACTURER OF ORAL DOSE GENERIC PHARMACEUTICALS TARGETED AT NICHE APPLICATIONS.

|  |              |                  |
|--|--------------|------------------|
| 12% Senior Subordinated Note due 2013  | \$ 1,350,000 | 08/04/05         |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.001 per share (B) |              | 10 shs. 08/04/05 |

DAVIS-STANDARD LLC

A MANUFACTURER, ASSEMBLER, AND INSTALLER OF A BROAD RANGE OF CAPITAL EQUIPMENT THAT IS USED IN THE PROCESSING OF PLASTIC MATERIALS.

|  |            |                  |
|--|------------|------------------|
| 12% Senior Subordinated Note due 2014  | \$ 978,261 | 10/30/06         |
| Limited Partnership Interest (B)   | 0.97% int. | 10/30/06         |
| Warrant, exercisable until 2014, to purchase<br>preferred stock at \$.01 per share (B) |            | 26 shs. 10/30/06 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B)    |            | 18 shs. 10/30/06 |

DIRECTED ELECTRONICS, INC.

A DESIGNER AND DISTRIBUTOR OF BRAND NAME AUTOMOTIVE SECURITY SYSTEMS, AUDIO PRODUCTS AND INSTALLATION EQUIPMENT.

|                  |              |   |
|------------------|--------------|---|
| Common Stock (B) | 195,118 shs. | * |
|------------------|--------------|---|

\*12/19/05 and 06/17/06.

DIVERSCO, INC./DHI HOLDINGS, INC.

A CONTRACT PROVIDER OF JANITORIAL AND EQUIPMENT MAINTENANCE SERVICES AND TEMPORARY PRODUCTION LABOR.

|  |             |          |
|--|-------------|----------|
| Membership Interests of MM/Lincap<br>Diversco Investments Ltd. LLC (B)                                     | 13.57% int. | 08/27/98 |
| Preferred Stock (B)  | 1,639 shs.  | 12/14/01 |
| Warrants, exercisable until 2011, to purchase<br>common stock of DHI Holdings, Inc. at \$.01 per share (B) | 6,676 shs.  | *        |

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

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2007

|  | Principal Amount<br>Shares, Units or<br>Ownership Percentage | Acquisition<br>Date |
|--|--|---------------------|
| CORPORATE RESTRICTED SECURITIES: (A) CONTINUED |  |                     |

DUNCAN SYSTEMS, INC.

A DISTRIBUTOR OF WINDSHIELDS AND SIDE GLASS FOR THE RECREATIONAL VEHICLE MARKET.

|   |              |          |
|---|--------------|----------|
| 10% Senior Secured Term Note due 2013   | \$ 308,571   | 11/01/06 |
| 13% Senior Subordinated Note due 2014   | \$ 488,572   | 11/01/06 |
| Common Stock (B)  | 102,857 shs. | 11/01/06 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B) | 32,294 shs.  | 11/01/06 |



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DWYER GROUP, INC.

A FRANCHISER OF A VARIETY OF HOME REPAIR SERVICES.

|   |            |          |
|---|------------|----------|
| Common Stock (B)  | 3,656 shs. | *        |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B) | 1,077 shs. | 10/30/03 |

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

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<br>common stock at \$.01 per share (B) | 11 shs. | 06/28/04 |
|---|---------|----------|

ELECTRA BICYCLE COMPANY LLC

A DESIGNER AND MARKETER OF BRANDED LEISURE BICYCLES.

|   |             |          |
|---|-------------|----------|
| 10.5% Senior Secured Term Note A due 2009   | \$ 72,875   | 04/12/07 |
| 10.5% Senior Secured Term Note B due 2012   | \$ 404,453  | 04/12/07 |
| 12% Senior Secured Term Note C due 2012     | \$ 291,498  | 04/12/07 |
| Limited Liability Company Unit Series F     | 36,913 uts. | 04/12/07 |
| Limited Liability Company Unit Series G (B) | 2,852 uts.  | 04/12/07 |

ENZYMATIC THERAPY, INC.

A MANUFACTURER AND DISTRIBUTOR OF BRANDED NATURAL MEDICINES AND NUTRITIONAL SUPPLEMENTS.

|   |             |          |
|---|-------------|----------|
| Limited Partnership Interest (B)  | 0.70% int.  | 03/30/00 |
| Warrant, exercisable until 2009, to purchase<br>common stock at \$.01 per share (B) | 15,415 shs. | 03/30/00 |

EVANS CONSOLES, INC.

A DESIGNER AND MANUFACTURER OF CONSOLES AND CONTROL CENTER SYSTEMS.

|              |             |          |
|--------------|-------------|----------|
| Common Stock | 45,000 shs. | 05/06/04 |
|--------------|-------------|----------|

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 | 06/01/06 |
| Preferred Unit (B)                    | 84 uts.      | 06/01/06 |
| Common Unit (B)                       | 844 uts.     | 06/01/06 |
| Common Unit Class B (B)               | 734 uts.     | 06/01/06 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

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

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### FLUTES, INC.

AN INDEPENDENT MANUFACTURER OF MICRO FLUTED CORRUGATED SHEET MATERIAL FOR THE FOOD AND CONSUMER P

|   |    |             |          |
|---|----|-------------|----------|
| 10% Senior Secured Term Note due 2013   | \$ | 524,791     | 04/13/06 |
| 14% Senior Subordinated Note due 2014   | \$ | 317,177     | 04/13/06 |
| Common Stock (B)  |    | 62,535 shs. | 04/13/06 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B) |    | 17,680 shs. | 04/13/06 |

### FOWLER HOLDING, INC.

A PROVIDER OF SITE DEVELOPMENT SERVICES TO RESIDENTIAL HOMEBUILDERS AND DEVELOPERS IN THE RALEIGH

|   |    |           |          |
|---|----|-----------|----------|
| 12% Senior Subordinated Note due 2013   | \$ | 1,252,174 | 02/03/06 |
| Common Stock (B)  |    | 98 shs.   | 02/03/06 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) |    | 135 shs.  | 02/03/06 |

### FUEL SYSTEMS HOLDING CORPORATION

AN INDEPENDENT NORTH AMERICAN SUPPLIER OF FUEL TANKS FOR A WIDE VARIETY OF COMMERCIAL VEHICLES.

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

### GOLDEN COUNTRY FOODS HOLDING, INC.

A MANUFACTURER OF FROZEN APPETIZERS AND SNACKS.

|   |    |             |          |
|---|----|-------------|----------|
| 12% Senior Subordinated Note due 2015   | \$ | 1,012,500   | 11/01/07 |
| 8% Series A Convertible, cumulative Preferred Stock,<br>convertible into 4.25% of the fully diluted common shares |    | 77,643 shs. | 11/01/07 |

### H M HOLDING COMPANY

A DESIGNER, MANUFACTURER, AND IMPORTER OF PROMOTIONAL AND WOOD FURNITURE.

|   |    |           |          |
|---|----|-----------|----------|
| 12% Senior Subordinated Note due 2013   | \$ | 1,170,000 | 02/10/06 |
| Preferred Stock (B)   |    | 11 shs.   | 09/18/07 |
| Common Stock (B)  |    | 180 shs.  | 02/10/06 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) |    | 67 shs.   | 02/10/06 |

### HIGHGATE CAPITAL LLC

AN ACQUIRER OF CONTROLLING OR SUBSTANTIAL INTERESTS IN MANUFACTURING AND MARKETING ENTITIES.

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

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

Principal Amount

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| CORPORATE RESTRICTED SECURITIES: (A) CONTINUED  | Shares, Units or<br>Ownership<br>Percentage | Acquisiti<br>Date |
|---|---|-------------------|
| -----   |   |                   |
| 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<br>common stock at \$.02 per share (B)               | 106 shs.                                    | *                 |
| *06/30/04 and 08/19/04.   |   |                   |
| INSURANCE CLAIMS MANAGEMENT, INC.   |   |                   |
| A THIRD PARTY ADMINISTRATOR PROVIDING AUTO AND PROPERTY CLAIM ADMINISTRATION SERVICES FOR INSURAN |   |                   |
| Common Stock  | 37 shs.                                     | 02/27/07          |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share                   | 11 shs.                                     | 02/27/07          |
| INTEGRATION TECHNOLOGY SYSTEMS, INC.  |   |                   |
| A MANUFACTURER OF STEEL PROTECTIVE COMPUTER AND NETWORK SYSTEMS FOR THE INDUSTRIAL AND OFFICE ENV |   |                   |
| 12% Senior Secured Note due 2008 (D)  | \$ 25,055                                   | 03/01/04          |
| Common Stock (B)  | 130 shs.                                    | 06/01/00          |
| JASON, INC.   |   |                   |
| A DIVERSIFIED MANUFACTURING COMPANY SERVING VARIOUS INDUSTRIAL MARKETS.                           |   |                   |
| 13% Senior Subordinated Note due 2010   | \$ 510,187                                  | 08/04/00          |
| Limited Partnership Interest of<br>Saw Mill Capital Fund II, L.P. (B)                             | 1.30% int.                                  | 08/03/00          |
| Warrant, exercisable until 2010, to purchase<br>common stock at \$.01 per share (B)               | 26,931 shs.                                 | 08/04/00          |
| JUSTRITE MANUFACTURING ACQUISITION CO.  |   |                   |
| A MANUFACTURER OF SAFETY PRODUCTS SUCH AS STORAGE CABINETS AND CONTAINERS.                        |   |                   |
| 12% Senior Subordinated Note due 2011   | \$ 843,750                                  | 12/15/04          |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B)               | 594 shs.                                    | 12/15/04          |
| K H O F HOLDINGS, INC.  |   |                   |
| A MANUFACTURER OF PREMIUM DISPOSABLE TABLEWARE PRODUCTS SERVING BOTH THE FOODSERVICE AND CONSUMER |   |                   |
| 14% Senior Subordinated Note due 2014   | \$ 1,233,173                                | 10/15/07          |
| Common Stock (B)  | 116,827 shs.                                | 10/15/07          |
| K N B HOLDINGS CORPORATION  |   |                   |
| A DESIGNER, MANUFACTURER AND MARKETER OF PRODUCTS FOR THE CUSTOM FRAMING MARKET.                  |   |                   |
| 13.5% Senior Subordinated Note due 2013   | \$ 1,305,062                                | 05/25/06          |
| Common Stock (B)  | 71,053 shs.                                 | 05/25/06          |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B)               | 43,600 shs.                                 | 05/25/06          |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

|   | Principal Amount |           |
|---|------------------|-----------|
|   | Shares, Units or |           |
|   | Ownership        | Acquisiti |
|   | Percentage       | Date      |
| CORPORATE RESTRICTED SECURITIES: (A) CONTINUED  |                  |           |
| -----   |                  |           |
| K W P I HOLDINGS CORPORATION  |                  |           |
| A MANUFACTURER AND DISTRIBUTOR OF VINYL WINDOWS AND PATIO DOORS THROUGHOUT THE NORTHWESTERN UNITED STATES         |                  |           |
| 12% Senior Subordinated Note due 2014   | \$ 1,227,000     | 03/14/07  |
| Common Stock (B)  | 123 shs.         | 03/13/07  |
| Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)                                  | 89 shs.          | 03/14/07  |
| K-TEK HOLDING CORPORATION   |                  |           |
| A MANUFACTURER OF INSTRUMENTATION FOR LIQUID AND BULK SOLIDS LEVEL DETECTION FOR PROCESS AND STORAGE              |                  |           |
| 14% Senior Secured Tranche B Note due 2015  | \$ 1,157,143     | 12/20/07  |
| Preferred Stock (B)   | 192,314 shs.     | 12/20/07  |
| Common Stock (B)  | 54,326 shs.      | 12/20/07  |
| MAGNATECH INTERNATIONAL, INC.   |                  |           |
| A SUPPLIER OF PROCESS EQUIPMENT AND RELATED PARTS USED IN THE MANUFACTURING OF MEDIUM AND HIGH-PRESSURE EQUIPMENT |                  |           |
| 12% Senior Subordinated Note due 2014   | \$ 618,750       | 04/05/06  |
| 13% Preferred Stock (B)   | 299 shs.         | 04/05/06  |
| Common Stock (B)  | 66 shs.          | 04/05/06  |
| Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)                                  | 7 shs.           | 04/05/06  |
| MAIL COMMUNICATIONS GROUP, INC.   |                  |           |
| A PROVIDER OF MAIL PROCESSING AND HANDLING SERVICES, LETTERSHOP SERVICES, AND COMMERCIAL PRINTING                 |                  |           |
| 12.5% Senior Subordinated Note due 2014   | \$ 516,177       | 05/04/07  |
| Limited Liability Company Unit (B)  | 12,176 uts.      | 05/04/07  |
| Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)                                  | 1,787 shs.       | 05/04/07  |
| MAVERICK ACQUISITION COMPANY  |                  |           |
| A MANUFACTURER OF CAPSULES THAT COVER THE CORK AND NECK OF WINE BOTTLES.  |                  |           |
| 9.73% Senior Secured Tranche A Note due 2010 (C)  | \$ 286,891       | 09/03/04  |
| 12% Senior Secured Tranche B Note due 2011  | \$ 179,104       | 09/03/04  |
| Limited Partnership Interest (B)  | 4.48% int.       | 09/03/04  |
| Warrant, exercisable until 2011, to purchase common stock at \$.01 per share (B)                                  | 243 shs.         | 09/03/04  |

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MICROGROUP, INC.

|  |    |           |
|--|----|-----------|
| A MANUFACTURER OF PRECISION PARTS AND ASSEMBLIES, AND A VALUE-ADDED SUPPLIER OF METAL TUBING AND |    |           |
| 12% Senior Subordinated Note due 2013  | \$ | 1,421,795 |
| Common Stock (B)   |    | 238 shs.  |
| Warrant, exercisable until 2013, to purchase   |    |           |
| common stock at \$.02 per share (B)  |    | 87 shs.   |

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

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

|  | Principal Amount<br>Shares, Units or |             |
|--|--------------------------------------|-------------|
|  | Ownership                            | Acquisition |
|  | Percentage                           | Date        |

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

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MOMENTUM HOLDING CO.

|   |    |             |
|---|----|-------------|
| A DESIGNER AND SUPPLIER OF UPHOLSTERY FABRIC TO COMMERCIAL FURNITURE MANUFACTURERS AND ARCHITECTURE |    |             |
| 12% Senior Subordinated Note due 2014   | \$ | 618,802     |
| Limited Partnership Interest (B)  |    | 11.24% int. |
| Warrant, exercisable until 2014, to purchase  |    |             |
| common stock at \$.02 per share (B)   |    | 586 shs.    |

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 |
| Warrant, exercisable until 2014, to purchase   |    |           |
| common stock at \$.01 per share (B)  |    | 81 shs.   |

MORTON INDUSTRIAL GROUP, INC.

|  |    |             |
|--|----|-------------|
| A MANUFACTURER OF HIGHLY ENGINEERED METAL FABRICATED COMPONENTS. |    |             |
| 12% Senior Subordinated Note due 2014                            | \$ | 1,292,246   |
| Common Stock (B)   |    | 57,754 shs. |
| Warrant, exercisable until 2014, to purchase                     |    |             |
| common stock at \$.01 per share (B)                              |    | 91,923 shs. |

MOSS, INC.

|   |  |             |
|---|--|-------------|
| A MANUFACTURER AND DISTRIBUTOR OF LARGE DISPLAY AND EXHIBIT STRUCTURES. |  |             |
| 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.    |

\*09/20/00, 05/23/02 and 02/21/07.

NABCO, INC.

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A PRODUCER OF EXPLOSIVE CONTAINMENT VESSELS IN THE UNITED STATES.

|   |    |          |          |
|---|----|----------|----------|
| 14% Senior Subordinated Note due 2014   | \$ | 352,389  | 02/24/06 |
| Limited Liability Company Unit (B)  |    | 437 uts. | *        |
| Warrant, exercisable until 2016, to purchase<br>common stock at \$.01 per share (B) |    | 26 shs.  | 02/24/06 |

\*02/24/06 and 06/22/07.

NAVIS GLOBAL

A DESIGNER, MANUFACTURER, SELLER AND SERVICER OF FINISHING MACHINERY FOR THE KNIT AND WOVEN SEGMENT

|   |    |              |          |
|---|----|--------------|----------|
| 12% Senior Subordinated Note due 2014   | \$ | 705,457      | 05/28/04 |
| 8.75% Senior Secured Note due 2011  | \$ | 327,497      | 05/28/04 |
| Common Stock (B)  |    | 385,233 shs. | 05/28/04 |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) |    | 116,521 shs. | 05/28/04 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

|  |  | Principal Amount<br>Shares, Units or<br>Ownership Percentage | Acquisition<br>Date |
|--|--|--|---------------------|
| CORPORATE RESTRICTED SECURITIES: (A) CONTINUED |  |  |                     |

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NESCO HOLDINGS CORPORATION

A SALES AND LEASING COMPANY THAT PROVIDES EQUIPMENT TO THE ELECTRIC UTILITY, TELECOMMUNICATIONS, AND OTHER INDUSTRIES

|   |    |              |          |
|---|----|--------------|----------|
| 12% Senior Subordinated Note due 2015   | \$ | 1,125,000    | 08/02/07 |
| Common Stock (B)  |    | 225,000 shs. | 08/02/07 |
| Warrant, exercisable until 2015, to purchase<br>common stock at \$.01 per share (B) |    | 63,191 shs.  | 08/02/07 |

NETSHAPE TECHNOLOGIES, INC.

A MANUFACTURER OF POWDER METAL AND METAL INJECTION MOLDED PRECISION COMPONENTS USED IN INDUSTRIAL MACHINERY

|   |    |          |          |
|---|----|----------|----------|
| 12% Senior Subordinated Note due 2014   | \$ | 810,000  | 02/02/07 |
| Limited Partnership Interest of<br>Saw Mill PCG Partners LLC (B)                    |    | 540 uts. | 02/01/07 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B) |    | 48 shs.  | 02/02/07 |

NONNI'S FOOD COMPANY

A PRODUCER AND DISTRIBUTOR OF PREMIUM BISCOTTI AND BAGEL CHIPS IN NORTH AMERICA.

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

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NYLONCRAFT, INC.

A SUPPLIER OF ENGINEERED PLASTIC COMPONENTS FOR THE AUTOMOTIVE INDUSTRY.

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

OAKRIVER TECHNOLOGY, INC.

DESIGNS, ENGINEERS AND ASSEMBLES HIGH PRECISION AUTOMATED PROCESS EQUIPMENT FOR THE MEDICAL DEVICE  
DEFIBRILLATORS AND STENTS.

|   |    |         |              |          |
|---|----|---------|--------------|----------|
| 10% Senior Secured Note due 2012  | \$ | 323,115 |              | 01/03/06 |
| 13% Senior Subordinated Note due 2013   | \$ | 392,709 |              | 01/03/06 |
| Common Stock (B)  |    |         | 184,176 shs. | 01/03/06 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) |    |         | 43,073 shs.  | 01/03/06 |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2007

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

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OLYMPIC SALES, INC.

A BOAT RETAILER IN WASHINGTON STATE, OREGON, CALIFORNIA AND BRITISH COLUMBIA.

|  |    |         |             |          |
|--|----|---------|-------------|----------|
| 12% Senior Subordinated Note due 2008  | \$ | 511,000 |             | 08/07/98 |
| 12% Senior Subordinated Note due 2008  | \$ | 244,154 |             | 02/09/00 |
| Limited Partnership Interest of Riverside VIII, VIII-A and<br>VIII-B Holding Company, L.P. |    |         | 10.66% int. | *        |
| Warrants, exercisable until 2008, to purchase<br>common stock at \$.01 per share (B)       |    |         | 15,166 shs. | **       |

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

ONTARIO DRIVE & GEAR LTD.

A MANUFACTURER OF ALL-WHEEL DRIVE, OFF-ROAD AMPHIBIOUS VEHICLES AND RELATED ACCESSORIES.

|   |    |           |            |          |
|---|----|-----------|------------|----------|
| 13% Senior Subordinated Note due 2013   | \$ | 1,047,115 |            | 01/17/06 |
| Limited Liability Company Unit (B)  |    |           | 1,942 uts. | 01/17/06 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) |    |           | 328 shs.   | 01/17/06 |

P A S HOLDCO LLC

AN INDEPENDENT PROVIDER OF MAINTENANCE, REPAIR AND OVERHAUL SERVICES TO THE AEROSPACE GAS TURBINE

|                                       |    |           |          |          |
|---------------------------------------|----|-----------|----------|----------|
| 14% Senior Subordinated Note due 2014 | \$ | 1,176,469 |          | 07/03/06 |
| Preferred Unit (B)                    |    |           | 202 uts. | 07/03/06 |

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|                         |         |          |
|-------------------------|---------|----------|
| Preferred Unit (B)      | 36 uts. | 07/03/06 |
| Common Unit Class I (B) | 78 uts. | 07/03/06 |
| Common Unit Class L (B) | 17 uts. | 07/03/06 |

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 | 03/31/06 |
| Preferred Stock (B)   | 19 shs.      | 03/31/06 |
| Common Stock (B)  | 12 shs.      | 03/31/06 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B) | 7 shs.       | 03/31/06 |

PACIFIC CONSOLIDATED HOLDINGS LLC

A MANUFACTURER OF RUGGED, MOBILE LIQUID AND GASEOUS OXYGEN AND NITROGEN GENERATING SYSTEMS USED IN  
MEDICAL SECTORS.

|                                       |              |          |
|---------------------------------------|--------------|----------|
| 12% Senior Subordinated Note due 2012 | \$ 690,683   | 04/27/07 |
| Limited Liability Company Unit (B)    | 928,962 uts. | 04/27/07 |

PARADIGM PACKAGING, INC.

A MANUFACTURER OF PLASTIC BOTTLES AND CLOSURES FOR THE NUTRITIONAL, PHARMACEUTICAL, PERSONAL CARE

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

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

|  | Principal Amount |             |
|--|------------------|-------------|
|  | Shares, Units or | Acquisition |
|  | Ownership        | Date        |
|  | Percentage       |             |

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

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POSTLE ALUMINUM COMPANY LLC

A MANUFACTURER AND DISTRIBUTOR OF ALUMINUM EXTRUDED PRODUCTS.

|   |              |          |
|---|--------------|----------|
| 12% Senior Subordinated Note due 2014   | \$ 1,080,000 | 10/02/06 |
| Limited Liability Company Unit (B)  | 733 uts.     | 10/02/06 |
| Warrant, exercisable until 2016, to purchase<br>common stock at \$.01 per share (B) | 182 shs.     | 10/02/06 |

PROTEIN GENETICS, INC.

A PRODUCER OF BOVINE ARTIFICIAL INSEMINATION PRODUCTS, RELATED BREEDING AND HEALTHCARE PRODUCTS AND  
DAIRY AND BEEF INDUSTRIES.

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



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

QUALIS AUTOMOTIVE LLC

A DISTRIBUTOR OF AFTERMARKET AUTOMOTIVE BRAKE AND CHASSIS PRODUCTS.

12% Senior Subordinated Note due 2012

\$ 937,500 05/28/04

Common Stock

187,500 shs. 05/28/04

Warrant, exercisable until 2012, to purchase

common stock at \$.01 per share

199,969 shs. 05/28/04

QUALSERV CORPORATION

A PROVIDER OF FOODSERVICE EQUIPMENT AND SUPPLIES TO MAJOR RESTAURANT CHAINS AND THEIR FRANCHISEES

Limited Partnership Interest (B)

4.90% int. 07/09/04

R A J MANUFACTURING HOLDINGS LLC

A DESIGNER AND MANUFACTURER OF WOMEN'S SWIMWEAR SOLD UNDER A VARIETY OF LICENSED BRAND NAMES.

12.5% Senior Subordinated Note due 2014

\$ 1,200,277 12/15/06

Limited Liability Company Unit (B)

1,497 uts. 12/15/06

Warrant, exercisable until 2014, to purchase

common stock at \$.01 per share (B)

2 shs. 12/15/06

RADIAC ABRASIVES, INC.

A MANUFACTURER OF BONDED ABRASIVE AND SUPER ABRASIVE GRINDING WHEELS IN THE UNITED STATES.

12% Senior Subordinated Note due 2014

\$ 1,196,809 02/10/06

Common Stock (B)

153,191 shs. 02/10/06

Warrant, exercisable until 2016, to purchase

common stock at \$.01 per share (B)

69,647 shs. 02/10/06

ROYAL BATHS MANUFACTURING COMPANY

A MANUFACTURER AND DISTRIBUTOR OF ACRYLIC AND CULTURED MARBLE BATHROOM PRODUCTS.

12.5% Senior Subordinated Note due 2011

\$ 562,500 11/14/03

Warrant, exercisable until 2011, to purchase

common stock at \$.01 per share (B)

74 shs. 11/14/03

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

SAFETY SPEED CUT MANUFACTURING COMPANY, INC.

A MANUFACTURER OF VERTICAL PANEL SAWS AND ROUTERS FOR THE WOOD WORKING INDUSTRY.

Class B Common Stock (B)

846 shs. 06/02/99

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SAVAGE SPORTS HOLDING, INC.

A MANUFACTURER OF SPORTING FIREARMS.

|   |    |         |          |                  |
|---|----|---------|----------|------------------|
| 12% Senior Subordinated Note due 2012   | \$ | 814,655 |          | 09/10/04         |
| Common Stock (B)  |    |         |          | *                |
| Warrant, exercisable until 2012, to purchase<br>common stock at \$.01 per share (B) |    |         | 324 shs. |                  |
|   |    |         |          | 71 shs. 09/10/04 |

\*09/10/04 and 10/05/07.

SMART SOURCE HOLDINGS LLC

A SHORT-TERM COMPUTER RENTAL COMPANY.

|   |    |           |          |          |
|---|----|-----------|----------|----------|
| 12% Senior Subordinated Note due 2015   | \$ | 1,038,462 |          | 08/31/07 |
| Limited Liability Company Unit (B)  |    |           | 312 uts. | 08/31/07 |
| Warrant, exercisable until 2015, to purchase<br>common stock at \$.01 per share (B) |    |           | 76 shs.  | 08/31/07 |

SPECIALTY FOODS GROUP, INC.

A MANUFACTURER AND DISTRIBUTOR OF BRANDED MEAT PRODUCTS.

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

STANTON CARPET HOLDING CO.

A DESIGNER AND MARKETER OF HIGH AND MID-PRICED DECORATIVE CARPETS AND RUGS.

|   |    |           |          |          |
|---|----|-----------|----------|----------|
| 12.13% Senior Subordinated Note due 2014  | \$ | 1,185,366 |          | 08/01/06 |
| Common Stock (B)  |    |           | 165 shs. | 08/01/06 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.02 per share (B) |    |           | 55 shs.  | 08/01/06 |

STRATEGIC EQUIPMENT & SUPPLY CORPORATION, INC.

A PROVIDER OF KITCHEN AND RESTAURANT DESIGN, EQUIPMENT FABRICATION AND INSTALLATION SERVICES.

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

SYNVENTIVE EQUITY LLC

A MANUFACTURER OF HOT RUNNER SYSTEMS USED IN THE PLASTIC INJECTION MOLDING PROCESS.

|   |  |              |             |          |
|---|--|--------------|-------------|----------|
| Limited Liability Company Unit (B)  |  | 150,000 uts. |             | 08/20/03 |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B) |  |              | 45,942 shs. | 08/21/03 |

TANGENT RAIL CORPORATION

A MANUFACTURER OF RAIL TIES AND PROVIDES SPECIALTY SERVICES TO THE NORTH AMERICAN RAILROAD INDUSTRY

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

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|---|---|-------------------|
| CORPORATE RESTRICTED SECURITIES: (A) CONTINUED  |   |                   |
| -----   |   |                   |
| TERRA RENEWAL SERVICES, INC.<br>A PROVIDER OF WASTEWATER RESIDUAL MANAGEMENT AND REQUIRED ENVIRONMENTAL REPORTING, PERMITTING, NU<br>RECORD KEEPING TO COMPANIES INVOLVED IN POULTRY AND FOOD PROCESSING. |   |                   |
| 9.25% Senior Secured Tranche B Note due 2012 (C)  | \$ 868,863  | *                 |
| 12% Senior Subordinated Note due 2014   | \$ 664,062  | **                |
| Limited Partnership Interest of<br>Saw Mill Capital Fund V, L.P.  | 2.30% int.  | 03/01/05          |
| Warrant, exercisable until 2016, to purchase<br>common stock at \$.01 per share (B)   | 41 shs.   | 04/28/06          |
| *04/28/06 and 12/21/06. **04/28/06 and 09/13/06.  |   |                   |
| TORRENT GROUP HOLDINGS, INC.<br>A CONTRACTOR SPECIALIZING IN THE SALES AND INSTALLATION OF ENGINEERED DRYWELLS FOR THE RETENTION<br>NUISANCE WATER FLOW.  |   |                   |
| 12.5% Senior Subordinated Note due 2013   | \$ 1,185,366  | 10/26/07          |
| 8% Convertible Preferred Stock  | 219 shs.  | 10/26/07          |
| TOTAL EQUIPMENT & SERVICE, INC.<br>A MANUFACTURER OF A WIDE VARIETY OF EQUIPMENT USED IN THE OIL AND GAS INDUSTRY.  |   |                   |
| 10.5% Senior Secured Term Note due 2013   | \$ 486,487  | 03/02/07          |
| 13% Senior Subordinated Note due 2014   | \$ 341,971  | 03/02/07          |
| Common Stock (B)  | 71,542 shs.   | 03/02/07          |
| Warrant, exercisable until 2014 to purchase<br>common stock at \$.01 per share (B)  | 19,733 shs.   | 03/02/07          |
| THE TRANZONIC COMPANIES<br>A PRODUCER OF COMMERCIAL AND INDUSTRIAL SUPPLIES, SUCH AS SAFETY PRODUCTS, JANITORIAL SUPPLIES, W<br>SUPPLIES AND SANITARY CARE PRODUCTS.                                      |   |                   |
| 13% Senior Subordinated Note due 2009   | \$ 1,356,000  | 02/05/98          |
| Common Stock (B)  | 315 shs.  | 02/04/98          |
| Warrant, exercisable until 2009, to purchase<br>common stock at \$.01 per share (B)   | 222 shs.  | 02/05/98          |
| TRANSPAC HOLDING COMPANY<br>A DESIGNER, IMPORTER, AND WHOLESALER OF HOME DECOR AND SEASONAL GIFT PRODUCTS.  |   |                   |
| 12% Senior Subordinated Note due 2015   | \$ 938,651  | 10/31/07          |
| Common Stock (B)  | 110 shs.  | 10/31/07          |
| Warrant, exercisable until 2015, to purchase<br>common stock at \$.01 per share (B)   | 50 shs.   | 10/31/07          |
| TRANSTAR HOLDING COMPANY<br>A DISTRIBUTOR OF AFTERMARKET AUTOMOTIVE TRANSMISSION PARTS.   |   |                   |
| 12% Senior Subordinated Note due 2013   | \$ 918,000  | 08/31/05          |
| Common Stock (B)  | 571 shs.  | *                 |
| Warrant, exercisable until 2013, to purchase<br>common stock at \$.01 per share (B)   | 46 shs.   | 08/31/05          |

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\*08/31/05 and 04/30/07.

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 MassMutual Participation Investors

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|  | Principal Amount |           |
|--|------------------|-----------|
|  | Shares, Units or |           |
|  | Ownership        | Acquisiti |
|  | Percentage       | Date      |

CORPORATE RESTRICTED SECURITIES: (A) CONTINUED

-----  
 TRONAIR, INC.

|  |              |          |
|--|--------------|----------|
| A DESIGNER, ENGINEER AND MANUFACTURER OF GROUND SUPPORT EQUIPMENT FOR THE BUSINESS, COMMUTER AND |              |          |
| 10.5% Senior Secured Term Note due 2008  | \$ 225,806   | 01/20/00 |
| 12% Senior Subordinated Note due 2010  | \$ 758,100   | 01/20/00 |
| Common Stock (B)   | 129,960 shs. | 01/20/00 |
| Warrant, exercisable until 2010, to purchase   |              |          |
| common stock at \$1 per share (B)  | 148,911 shs. | 01/20/00 |

TRUCK BODIES & EQUIPMENT INTERNATIONAL

A DESIGNER AND MANUFACTURER OF ACCESSORIES FOR HEAVY AND MEDIUM DUTY TRUCKS, PRIMARILY DUMP BODIE  
 FLAT-BED BODIES, LANDSCAPE BODIES AND OTHER ACCESSORIES.

|  |              |   |
|--|--------------|---|
| 12% Senior Subordinated Note due 2013        | \$ 1,222,698 | * |
| Common Stock (B)                             | 393 shs.     | * |
| Warrant, exercisable until 2013, to purchase |              |   |
| common stock at \$.02 per share (B)          | 81 shs.      | * |

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

TRUSTILE DOORS, INC.

A MANUFACTURER AND DISTRIBUTOR OF INTERIOR DOORS.

|  |            |          |
|--|------------|----------|
| 12.5% Senior Subordinated Note due 2010      | \$ 450,000 | 04/11/03 |
| Warrant, exercisable until 2010, to purchase |            |          |
| common stock at \$.01 per share (B)          | 3,060 shs. | 04/11/03 |

U-LINE CORPORATION

A MANUFACTURER OF HIGH-END, BUILT-IN, UNDERCOUNTER ICE MAKING, WINE STORAGE AND REFRIGERATION APP

|  |            |          |
|--|------------|----------|
| 12.5% Senior Subordinated Note due 2012      | \$ 996,500 | 04/30/04 |
| Common Stock (B)                             | 96 shs.    | 04/30/04 |
| Warrant, exercisable until 2012, to purchase |            |          |
| common stock at \$.01 per share (B)          | 122 shs.   | 04/30/04 |

VICTORY VENTURES LLC

AN ACQUIRER OF CONTROLLING OR SUBSTANTIAL INTERESTS IN OTHER ENTITIES.

|                          |       |          |
|--------------------------|-------|----------|
| Series A Preferred Units | 1 ut. | 12/02/96 |
|--------------------------|-------|----------|

VISIONEERING, INC.

A DESIGNER AND MANUFACTURER OF TOOLING AND FIXTURES FOR THE AEROSPACE INDUSTRY.

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|   |    |             |          |
|---|----|-------------|----------|
| 10.5% Senior Secured Term Loan due 2013   | \$ | 458,824     | 05/17/07 |
| 13% Senior Subordinated Note due 2014   | \$ | 370,588     | 05/17/07 |
| Common Stock (B)  |    | 70,588 shs. | 05/17/07 |
| Warrant, exercisable until 2014, to purchase<br>common stock at \$.01 per share (B) |    | 20,003 shs. | 05/17/07 |

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### MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

|  |    | Principal Amount<br>Shares, Units or<br>Ownership Percentage | Acquisition<br>Date |
|--|----|--|---------------------|
| CORPORATE RESTRICTED SECURITIES: (A) CONTINUED   |    |  |                     |
| -----  |    |  |                     |
| VITALITY FOODSERVICE, INC.<br>A NON-CARBONATED BEVERAGE DISPENSING COMPANY FOCUSED ON THE FOODSERVICE INDUSTRY.      |    |  |                     |
| 15% Senior Subordinated Note due 2011  | \$ | 1,157,670  | 09/24/04            |
| Common Stock (B)   |    | 14,006 shs.  | *                   |
| Warrant, exercisable until 2011, to purchase<br>common stock at \$.01 per share (B)                                  |    | 12,593 shs.  | 09/24/04            |
| *09/24/04 and 12/22/06.  |    |  |                     |
| VITEX PACKAGING GROUP, INC.<br>A MANUFACTURER OF SPECIALTY PACKAGING, PRIMARILY ENVELOPES AND TAGS USED ON TEA BAGS. |    |  |                     |
| 12.5% Senior Subordinated Note due 2012  | \$ | 900,000  | 07/19/04            |
| 14.5% PIK Note due 2010  |    | 56,250   | 06/30/07            |
| Limited Liability Company Unit Class A (B)   |    | 219,375 uts.   | 07/19/04            |
| Limited Liability Company Unit Class B (B)   |    | 96,848 uts.  | 07/19/04            |
| WAGGIN' TRAIN HOLDINGS LLC<br>A PRODUCER OF PREMIUM QUALITY MEAT DOG TREATS.   |    |  |                     |
| 14% Senior Subordinated Note due 2014  | \$ | 1,126,243  | 11/15/07            |
| Limited Liability Company Unit Class B (B)   |    | 224 uts.   | 11/15/07            |
| Limited Liability Company Unit Class C (B)   |    | 224 uts.   | 11/15/07            |
| WALLS INDUSTRIES, INC.<br>A PROVIDER OF BRANDED WORKWEAR AND SPORTING GOODS APPAREL.                                 |    |  |                     |
| Limited Partnership Interest   |    | 0.20% int.   | 07/12/04            |
| Common Stock (B)   |    | 2,133 shs.   | 12/21/07            |
| WELLBORN FOREST HOLDING CO.<br>A MANUFACTURER OF SEMI-CUSTOM KITCHEN AND BATH CABINETRY.                             |    |  |                     |
| 12.13% Senior Subordinated Note due 2014   | \$ | 911,250  | 11/30/06            |
| Common Stock (B)   |    | 101 shs.   | 11/30/06            |
| Warrant, exercisable until 2014, to purchase   |    |  |                     |

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common stock at \$.01 per share (B)

51 shs. 11/30/06

WORKPLACE MEDIA HOLDING CO.

A DIRECT MARKETER SPECIALIZING IN PROVIDING ADVERTISERS WITH ACCESS TO CONSUMERS IN THE WORKPLACE

13% Senior Subordinated Note due 2015 \$ 613,692 05/14/07

Limited Partnership Interest (B) 12.26% int. 05/14/07

Warrant, exercisable until 2015, to purchase

common stock at \$.01 per share (B) 47 shs. 05/14/07

TOTAL PRIVATE PLACEMENT INVESTMENTS (E)

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2007

| CORPORATE RESTRICTED SECURITIES:(A) CONTINUED | INTEREST<br>RATE | DUE<br>DATE | PRINCIPAL<br>AMOUNT |
|---|------------------|-------------|---------------------|
| RULE 144A SECURITIES - 4.60%:(A)              |                  |             |                     |
| BONDS - 4.60%                                 |                  |             |                     |
| Bristow Group, Inc.                           | 7.500%           | 09/15/17    | \$ 75,000           |
| Charter Communications Op LLC                 | 8.000            | 04/30/12    | 750,000             |
| Compucom Systems, Inc.                        | 12.500           | 10/01/15    | 670,000             |
| Douglas Dynamics LLC                          | 7.750            | 01/15/12    | 325,000             |
| G F S I, Inc. (C)                             | 10.500           | 06/01/11    | 375,000             |
| Intergen NV                                   | 9.000            | 06/30/17    | 375,000             |
| Packaging Dynamics Corporation of America     | 10.000           | 05/01/16    | 1,200,000           |
| Penhall International                         | 12.000           | 08/01/14    | 325,000             |
| Quebecor Media, Inc.                          | 7.750            | 03/15/16    | 575,000             |
| Ryerson, Inc.                                 | 12.000           | 11/01/15    | 30,000              |
| Snoqualmie Entertainment Authority            | 9.125            | 02/01/15    | 250,000             |
| Steel Dynamics, Inc.                          | 6.750            | 04/01/15    | 100,000             |
| Tenneco, Inc.                                 | 8.125            | 11/15/15    | 50,000              |
| TRW Automotive, Inc.                          | 7.250            | 03/15/17    | 500,000             |
| Tunica-Biloxi Gaming Authority                | 9.000            | 11/15/15    | 540,000             |

TOTAL BONDS

TOTAL RULE 144A SECURITIES

TOTAL CORPORATE RESTRICTED SECURITIES

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MassMutual Participation Investors

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CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

| CORPORATE PUBLIC SECURITIES - 25.34%: (A) | INTEREST<br>RATE | DUE<br>DATE | PRINCIPAL<br>AMOUNT |
|---|------------------|-------------|---------------------|
| -----                                     |                  |             |                     |
| BONDS - 23.62%                            |                  |             |                     |
| Allied Waste NA                           | 7.375%           | 04/15/14    | \$ 140,000          |
| Appleton Papers, Inc.                     | 8.125            | 06/15/11    | 250,000             |
| Aramark Corporation                       | 8.500            | 02/01/15    | 100,000             |
| Aramark Corporation (C)                   | 8.411            | 02/01/15    | 100,000             |
| Atlas Pipeline Partners                   | 8.125            | 12/15/15    | 600,000             |
| Basic Energy Services                     | 7.125            | 04/15/16    | 625,000             |
| Blockbuster, Inc. (C)                     | 9.000            | 09/01/12    | 275,000             |
| Boyd Gaming Corporation                   | 7.125            | 02/01/16    | 150,000             |
| Cablevision Systems Corporation           | 8.000            | 04/15/12    | 500,000             |
| Cincinnati Bell, Inc.                     | 8.375            | 01/15/14    | 550,000             |
| Clayton Williams Energy, Inc.             | 7.750            | 08/01/13    | 575,000             |
| Community Health Systems, Inc.            | 8.875            | 07/15/15    | 475,000             |
| Del Monte Corporation                     | 8.625            | 12/15/12    | 200,000             |
| Dynege Holdings, Inc.                     | 7.500            | 06/01/15    | 250,000             |
| Dynege Holdings, Inc.                     | 8.375            | 05/01/16    | 665,000             |
| Edison Mission Energy                     | 7.750            | 06/15/16    | 35,000              |
| Electronic Data Systems Corporation       | 7.125            | 10/15/09    | 500,000             |
| Esterline Technologies                    | 7.750            | 06/15/13    | 175,000             |
| Ford Motor Credit Co.                     | 7.375            | 10/28/09    | 750,000             |
| Ford Motor Credit Co.                     | 8.000            | 12/15/16    | 375,000             |
| 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.                | 8.625            | 12/01/11    | 250,000             |
| Goodyear Tire & Rubber Co.                | 9.000            | 07/01/15    | 64,000              |
| GulfMark Offshore, Inc.                   | 7.750            | 07/15/14    | 300,000             |
| H C A, Inc.                               | 9.250            | 11/15/16    | 500,000             |
| Hughes Network Systems                    | 9.500            | 04/15/14    | 525,000             |
| Idearc, Inc.                              | 8.000            | 11/15/16    | 520,000             |
| Inergy LP                                 | 8.250            | 03/01/16    | 75,000              |
| Intelsat Bermuda Ltd.                     | 9.250            | 06/15/16    | 690,000             |
| Interline Brands, Inc.                    | 8.125            | 06/15/14    | 830,000             |
| Iron Mountain, Inc.                       | 8.750            | 07/15/18    | 500,000             |
| Koppers, Inc.                             | 9.875            | 10/15/13    | 170,000             |
| Lear Corporation                          | 8.750            | 12/01/16    | 1,000,000           |
| Leucadia National Corporation             | 7.000            | 08/15/13    | 350,000             |
| Liberty Media Corporation                 | 5.700            | 05/15/13    | 500,000             |
| Majestic Star Casino LLC                  | 9.500            | 10/15/10    | 250,000             |
| Manitowoc Company, Inc.                   | 7.125            | 11/01/13    | 100,000             |
| Mariner Energy, Inc.                      | 8.000            | 05/15/17    | 400,000             |
| Markwest Energy Operating Co.             | 6.875            | 11/01/14    | 550,000             |
| Mediacom Broadband LLC                    | 8.500            | 10/15/15    | 750,000             |

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

| INTEREST | DUE | PRINCIPAL |
|----------|-----|-----------|
|----------|-----|-----------|

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| CORPORATE PUBLIC SECURITIES: (A) CONTINUED | RATE    | DATE     | AMOUNT     |
|--|---------|----------|------------|
| BONDS, CONTINUED                           |         |          |            |
| Metaldyne Corporation (C)                  | 10.000% | 11/01/13 | \$ 340,000 |
| N R G Energy, Inc.                         | 7.375   | 02/01/16 | 600,000    |
| N T L Cable PLC                            | 9.125   | 08/15/16 | 790,000    |
| 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)             | 7.863   | 11/15/13 | 515,000    |
| 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    |
| Petrohawk Energy Corporation               | 9.125   | 07/15/13 | 750,000    |
| Pliant Corporation (C)                     | 11.850  | 06/15/09 | 764,203    |
| Quicksilver Resources, Inc.                | 7.125   | 04/01/16 | 600,000    |
| R H Donnelley, Inc.                        | 8.875   | 01/15/16 | 625,000    |
| Rental Service Corporation                 | 9.500   | 12/01/14 | 500,000    |
| Rock-Tenn Co.                              | 8.200   | 08/15/11 | 430,000    |
| Rogers Wireless, Inc.                      | 7.500   | 03/15/15 | 560,000    |
| Sheridan Acquisition Corporation           | 10.250  | 08/15/11 | 225,000    |
| Stewart & Stevenson LLC                    | 10.000  | 07/15/14 | 750,000    |
| Tenet Healthcare Corporation               | 6.375   | 12/01/11 | 250,000    |
| Tenneco, Inc.                              | 8.625   | 11/15/14 | 500,000    |
| Tesoro Petroleum Corporation               | 6.500   | 06/01/17 | 250,000    |
| Texas Industries, Inc.                     | 7.250   | 07/15/13 | 35,000     |
| Titan International, Inc.                  | 8.000   | 01/15/12 | 70,000     |
| Transdigm, Inc.                            | 7.750   | 07/15/14 | 150,000    |
| Triton PCS, Inc.                           | 8.500   | 06/01/13 | 500,000    |
| Tube City IMS Corporation                  | 9.750   | 02/01/15 | 1,000,000  |
| United Components, Inc.                    | 9.375   | 06/15/13 | 535,000    |
| United Rentals, Inc.                       | 7.750   | 11/15/13 | 325,000    |
| Valassis Communications, Inc.              | 8.250   | 03/01/15 | 75,000     |
| Vought Aircraft Industries                 | 8.000   | 07/15/11 | 650,000    |
| Warner Music Group Corporation             | 7.375   | 04/15/14 | 125,000    |
| TOTAL BONDS                                |         |          |            |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

| CORPORATE PUBLIC SECURITIES: (A) CONTINUED | INTEREST RATE | DUE DATE | SHARES OR PRINCIPAL AMOUNT |
|--|---------------|----------|----------------------------|
| COMMON STOCK - 1.53%                       |               |          |                            |
| Comcast Corporation (B)                    |               |          | 16,800                     |
| Distributed Energy Systems Corporation (B) |               |          | 14,000                     |
| EnerNOC, Inc. (B)                          |               |          | 23,500                     |
| ITC^Deltacom, Inc. (B)                     |               |          | 94,588                     |
| TOTAL COMMON STOCK                         |               |          |                            |



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CONVERTIBLE BONDS - 0.19%  
 Citadel Broadcasting Corporation 1.875% 02/15/11 \$ 300,000

TOTAL CONVERTIBLE BONDS

TOTAL CORPORATE PUBLIC SECURITIES

| SHORT TERM SECURITIES | INTEREST<br>RATE/YIELD* | DUE<br>DATE | PRINCIPAL<br>AMOUNT |
|-----------------------|-------------------------|-------------|---------------------|
|-----------------------|-------------------------|-------------|---------------------|

-----  
 COMMERCIAL PAPER - 5.94%

|                                  |        |          |            |
|----------------------------------|--------|----------|------------|
| Avery Dennison Corporation       | 5.605% | 01/02/08 | \$ 651,000 |
| Computer Sciences Corporation    | 5.056  | 01/08/08 | 2,616,000  |
| Kinder Morgan Energy Partners LP | 5.605  | 01/03/08 | 2,603,000  |
| Textron Financial Corporation    | 5.706  | 01/02/08 | 1,659,000  |

TOTAL SHORT-TERM SECURITIES

TOTAL INVESTMENTS 110.44%

Other Assets 3.93  
 Liabilities (14.37)

TOTAL NET ASSETS 100.00%

- 
- (A) In each of the convertible note, warrant, and common stock investments, the issuer has agreed rights.
  - (B) Non-income producing security.
  - (C) Variable rate security; rate indicated is as of 12/31/07.
  - (D) Defaulted security; interest not accrued.
  - (E) Illiquid securities. At December 31, 2007, the value of these securities amounted to \$94,407.
- \* Effective yield at purchase  
 PIK - Payment-in-kind

### MassMutual Participation Investors

#### CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2007

| Industry Classification         | Fair Value/<br>Market Value | Industry Classification      |
|---------------------------------|-----------------------------|------------------------------|
| -----                           |                             |                              |
| AEROSPACE - 4.88%               |                             | BUILDINGS & REAL ESTATE - 1  |
| Consolidated Foundries Holdings | \$ 2,085,533                | K W P I Holdings Corporation |
| Esterline Technologies          | 179,375                     | Texas Industries, Inc.       |
| Gencorp, Inc.                   | 131,300                     | TruStile Doors, Inc.         |
| Hughes Network Systems          | 531,561                     |                              |
| P A S Holdco LLC                | 1,578,820                   |                              |
| Transdigm, Inc.                 | 152,250                     |                              |
| Visioneering, Inc.              | 902,919                     | CHEMICAL, PLASTICS & RUBBER  |
| Vought Aircraft Industries      | 615,875                     | Capital Specialty Plastics,  |
|                                 | -----                       | Koppers, Inc.                |
|                                 | 6,177,633                   | NOVA Chemicals Corporation   |
|                                 | -----                       |                              |
| AUTOMOBILE - 10.30%             |                             |                              |

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|                                       |            |                             |
|---------------------------------------|------------|-----------------------------|
| Ford Motor Credit Co.                 | 1,026,065  |                             |
| Fuel Systems Holding Corporation      | 1,183,906  | CONSUMER PRODUCTS - 9.31%   |
| General Motors Acceptance Corporation | 717,251    | Aero Holdings, Inc.         |
| Goodyear Tire & Rubber Co.            | 682,840    | Augusta Sportswear Holding  |
| Jason, Inc.                           | 1,011,760  | Bravo Sports Holding Corpor |
| Lear Corporation                      | 910,000    | G F S I, Inc.               |
| Metaldyne Corporation                 | 280,500    | K N B Holdings Corporation  |
| Nyloncraft, Inc.                      | 1,083,929  | Momentum Holding Co.        |
| Ontario Drive & Gear Ltd.             | 1,835,409  | R A J Manufacturing Holding |
| Qualis Automotive LLC                 | 1,062,679  | Royal Baths Manufacturing C |
| Tenneco, Inc.                         | 540,750    | The Tranzonic Companies     |
| Titan International, Inc.             | 67,550     | Walls Industries, Inc.      |
| Transtar Holding Company              | 1,666,246  |                             |
| TRW Automotive, Inc.                  | 448,750    |                             |
| United Components, Inc.               | 528,313    |                             |
|                                       | -----      |                             |
|                                       | 13,045,948 | CONTAINERS, PACKAGING & GLA |
|                                       | -----      | Flutes, Inc.                |
| BEVERAGE, DRUG & FOOD - 3.28%         |            | Maverick Acquisition Compan |
| Aramark Corporation                   | 198,750    | P I I Holding Corporation   |
| Del Monte Corporation                 | 201,500    | Packaging Dynamics Corporat |
| Golden Country Foods Holding, Inc.    | 1,079,218  | Paradigm Packaging, Inc.    |
| Nonni's Food Company                  | 1,469,875  | Pliant Corporation          |
| Specialty Foods Group, Inc.           | --         | Vitex Packaging Group, Inc. |
| Vitality Foodservice, Inc.            | 1,202,630  |                             |
|                                       | -----      |                             |
|                                       | 4,151,973  | DISTRIBUTION - 1.74%        |
|                                       | -----      | Duncan Systems, Inc.        |
| BROADCASTING & ENTERTAINMENT - 2.81%  |            | Magnatech International, In |
| Cablevision Systems Corporation       | 485,000    | QualServ Corporation        |
| Charter Communications Op LLC         | 723,750    | Strategic Equipment & Suppl |
| Citadel Broadcasting Corporation      | 246,000    |                             |
| Comcast Corporation                   | 306,768    |                             |
| Liberty Media Corporation             | 463,206    | DIVERSIFIED/CONGLOMERATE, M |
| Mediacom Broadband LLC                | 664,687    | A H C Holding Company, Inc. |
| Workplace Media Holdings Co.          | 665,694    | Arrow Tru-Line Holdings, In |
|                                       | -----      | Douglas Dynamics LLC        |
|                                       | 3,555,105  | Evans Consoles, Inc.        |
|                                       | -----      | Postle Aluminum Company LLC |
|                                       |            | Radiac Abrasives, Inc.      |
|                                       |            | Truck Bodies & Equipment In |

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MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

| Industry Classification                   | Fair Value/<br>Market Value | Industry Classification     |
|---|-----------------------------|-----------------------------|
| -----                                     | -----                       | -----                       |
| DIVERSIFIED/CONGLOMERATE, SERVICE - 4.68% |                             | HOME & OFFICE FURNISHINGS,  |
| Advanced Technologies Holdings            | \$ 1,336,919                | CONSUMER PRODUCTS - 8.38%   |
| Allied Waste NA                           | 139,650                     | Connor Sport Court Internat |

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|   |           |                                   |
|---|-----------|-----------------------------------|
| CapeSuccess LLC                           | 2,512     | H M Holding Company               |
| Diversco, Inc./DHI Holdings, Inc.         | --        | Home Decor Holding Company        |
| Dwyer Group, Inc.                         | 726,014   | Justrite Manufacturing Acquis     |
| Fowler Holding, Inc.                      | 1,342,356 | K H O F Holdings, Inc.            |
| Insurance Claims Management, Inc.         | --        | Monessen Holding Corporation      |
| Interline Brands, Inc.                    | 821,700   | Stanton Carpet Holding Co.        |
| Iron Mountain, Inc.                       | 525,625   | Transpac Holdings Company         |
| Mail Communications Group, Inc.           | 664,647   | U-Line Corporation                |
| Moss, Inc.                                | 365,544   | Wellborn Forest Holding Co.       |
|   | -----     |                                   |
|   | 5,924,967 |                                   |
|   | -----     |                                   |
| ELECTRONICS - 1.73%                       |           | LEISURE, AMUSEMENT, ENTERTAINMENT |
| Connecticut Electric, Inc.                | 1,350,477 | Boyd Gaming Corporation           |
| Directed Electronics, Inc.                | 323,896   | Electra Bicycle Company LLC       |
| Distributed Energy Systems Corporation    | 5,600     | Majestic Star Casino LLC          |
| Electronic Data Systems Corporation       | 516,163   | O E D Corp/Diamond Jo Compa       |
|   | -----     | Savage Sports Holding, Inc.       |
|   | 2,196,136 | Snoqualmie Entertainment Au       |
|   | -----     | Tunica-Biloxi Gaming Author       |
| FARMING & AGRICULTURE - 1.05%             |           | Warner Music Group Corporat       |
| Protein Genetics, Inc.                    | --        |                                   |
| Waggin' Train Holdings LLC                | 1,330,572 |                                   |
|   | -----     |                                   |
|   | 1,330,572 | MACHINERY - 9.18%                 |
|   | -----     | Davis-Standard LLC                |
| FINANCIAL SERVICES - 1.55%                |           | Integration Technology Syst       |
| Highgate Capital LLC                      | --        | K-Tek Holdings Corporation        |
| Leucadia National Corporation             | 335,125   | Manitowoc Company, Inc.           |
| Nesco Holdings Corporation                | 1,331,709 | Morton Industrial Group, In       |
| Penhall International                     | 302,250   | Navis Global                      |
| Victory Ventures LLC                      | --        | NetShape Technologies, Inc.       |
|   | -----     | Pacific Consolidated Holdin       |
|   | 1,969,084 | Safety Speed Cut Manufactur       |
|   | -----     | Stewart & Stevenson LLC           |
| HEALTHCARE, EDUCATION & CHILDCARE - 3.96% |           | Synventive Equity LLC             |
| A T I Acquisition Company                 | 1,144,649 | Tronair, Inc.                     |
| American Hospice Management Holding LLC   | 1,141,626 |                                   |
| Community Health Systems, Inc.            | 483,906   |                                   |
| F H S Holdings LLC                        | 1,494,252 |                                   |
| H C A, Inc.                               | 525,000   | MEDICAL DEVICES/BIOTECH - 2       |
| Tenet Healthcare Corporation              | 227,500   | Coeur, Inc.                       |
|   | -----     | E X C Acquisition Corporati       |
|   | 5,016,933 | MicroGroup, Inc.                  |
|   | -----     | OakRiver Technology, Inc.         |

MassMutual Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2007

| Industry Classification | Fair Value/<br>Market Value | Industry Classification |
|-------------------------|-----------------------------|-------------------------|
|-------------------------|-----------------------------|-------------------------|

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|   |  |
|---|--|
| <p>MINING, STEEL, IRON &amp; NON PRECIOUS METALS - 0.81%</p> <p>Ryerson, Inc. \$ 29,625</p> <p>Steel Dynamics, Inc. 97,000</p> <p>Tube City IMS Corporation 900,000</p> <p style="text-align: right;">-----</p> <p style="text-align: right;">1,026,625</p> <p style="text-align: right;">-----</p> <p>NATURAL RESOURCES - 0.55%</p> <p>Appleton Papers, Inc. 245,313</p> <p>Rock-Tenn Co. 445,050</p> <p style="text-align: right;">-----</p> <p style="text-align: right;">690,363</p> <p style="text-align: right;">-----</p> <p>OIL &amp; GAS - 3.72%</p> <p>Atlas Pipeline Partners 594,000</p> <p>Basic Energy Services 587,500</p> <p>Bristow Group, Inc. 75,375</p> <p>Clayton Williams Energy, Inc. 503,125</p> <p>GulfMark Offshore, Inc. 303,000</p> <p>Mariner Energy, Inc. 380,500</p> <p>North American Energy Partners 197,500</p> <p>Offshore Logistics 336,000</p> <p>Quicksilver Resources, Inc. 589,500</p> <p>Tesoro Petroleum Corporation 247,500</p> <p>Total Equipment &amp; Service, Inc. 894,810</p> <p style="text-align: right;">-----</p> <p style="text-align: right;">4,708,810</p> <p style="text-align: right;">-----</p> <p>PHARMACEUTICALS - 1.21%</p> <p>CorePharma LLC 1,414,620</p> <p>Enzymatic Therapy, Inc. 117,303</p> <p style="text-align: right;">-----</p> <p style="text-align: right;">1,531,923</p> <p style="text-align: right;">-----</p> <p>PUBLISHING/PRINTING - 1.51%</p> <p>Idearc, Inc. 477,100</p> <p>Quebecor Media, Inc. 553,438</p> <p>R H Donnelley, Inc. 584,375</p> <p>Sheridan Acquisition Corporation 225,000</p> <p>Valassis Communications, Inc. 66,844</p> <p style="text-align: right;">-----</p> <p style="text-align: right;">1,906,757</p> <p style="text-align: right;">-----</p> <p>RETAIL STORES - 1.85%</p> <p>Blockbuster, Inc. 235,125</p> <p>Neiman Marcus Group, Inc. 624,750</p> <p>Olympic Sales, Inc. 747,879</p> <p>Rental Service Corporation 447,500</p> <p>United Rentals, Inc. 282,750</p> <p style="text-align: right;">-----</p> <p style="text-align: right;">2,338,004</p> <p style="text-align: right;">-----</p> | <p>TECHNOLOGY - 2.48%</p> <p>Compucom Systems, Inc.</p> <p>EnerNOC, Inc.</p> <p>Smart Source Holdings, Inc.</p><br><p>TELECOMMUNICATIONS - 3.17%</p> <p>Cincinnati Bell, Inc.</p> <p>Intelsat Bermuda Ltd.</p> <p>ITC^DeltaCom, Inc.</p> <p>Nextel Communications, Inc.</p> <p>N T L Cable PLC</p> <p>Rogers Wireless, Inc.</p> <p>Triton P C S, Inc.</p><br><p>TRANSPORTATION - 1.67%</p> <p>NABCO, Inc.</p> <p>Tangent Rail Corporation</p><br><p>UTILITIES - 2.60%</p> <p>Dynegy Holdings, Inc.</p> <p>Edison Mission Energy</p> <p>Inergy LP</p> <p>Intergen NV</p> <p>Markwest Energy Operating C</p> <p>N R G Energy, Inc.</p> <p>Petrohawk Energy Corporatio</p><br><p>WASTE MANAGEMENT / POLLUTIO</p> <p>Terra Renewal Services, Inc</p> <p>Torrent Group Holdings, Inc</p><br><p>TOTAL CORPORATE RESTRICTED</p> <p>SECURITIES - 104.50%</p> |
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MASSMUTUAL PARTICIPATION INVESTORS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2007

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### 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 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 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. Below investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest and repay principal. In addition, the Trust may temporarily invest in high quality, readily marketable securities.

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, 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") or pursuant to a transaction that is exempt from registration under 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 used thereafter for restricted securities in appropriate circumstances. Among the factors ordinarily considered are the existence of restrictions upon the sale of a security held

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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

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MASSMUTUAL PARTICIPATION INVESTORS

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2007

valuations, opinions of counsel may be relied upon as to whether or not securities are restricted securities and as to the legal requirements for public sale.

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

The Trustees meet at least once in each quarter to approve the value of 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 reports by Babson Capital 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 \$94,407,034 (74.56% of net assets) as of December 31, 2007 whose values have been estimated by the Trustees in the absence of readily ascertainable market values. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

The values for Rule 144A restricted securities and corporate public securities are stated at the last reported sales price or at prices based upon quotations obtained from brokers and dealers as of December 31, 2007, 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.

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### 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 discounts on bonds held using the yield-to-maturity method. 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 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. For the year ended December 31, 2007, the Trust had a net realized taxable long-term capital gain balance of \$1,777,038, which the Trustees voted to retain and pay the federal capital gain tax thereon. The Trust has accrued income tax expense of \$621,963 on the Statement of Operations related to the retained realized capital 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

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MASSMUTUAL PARTICIPATION INVESTORS

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2007

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 year ended December 31, 2007, the MMPI Subsidiary Trust has accrued income tax expense of

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\$98,600.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax basis. As of December 31, 2007, the MMPI Subsidiary Trust has a deferred tax asset of \$71,096 for which a full valuation reserve has been recorded. No future tax benefit is expected to be realized from this asset as of December 31, 2007. The MMPI Subsidiary Trust has recorded a deferred income tax benefit in the current year in the amount of \$384,226 resulting from the decrease to zero of the deferred tax liability at December 31, 2006.

In, June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES - AN INTERPRETATION OF FASB STATEMENT NO. 109 ("FIN 48"). Management has analyzed the Trust's tax positions taken on federal income tax returns for all open tax years and has concluded that as of December 31, 2007, no provisions for income tax would be required in the Trust's financial statements. The Trust's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

### E. DISTRIBUTIONS TO SHAREHOLDERS:

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

As of December 31, 2007, the components of distributable earnings on a tax basis included \$1,026,768 of undistributed ordinary income. Such distributions and distributable earnings on a tax basis are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America.

Net investment income and net realized gains or losses of the Trust as presented under accounting principles generally accepted in the United States of America may differ from distributable earnings due to earnings from the MMPI Subsidiary Trust as well as certain permanent and temporary differences in the recognition of income and net realized gains or losses on certain investments. Permanent differences will result in reclassifications to the capital accounts. In 2007, the Trust increased undistributed net investment income and decreased additional paid in capital by a total of \$32,527 to more accurately display the Trust's financial position on a tax-basis in accordance with accounting principles generally accepted in the United States of America. These re-classifications had no impact on net asset value.

The tax character of distributions declared during the years ended December 31, 2007 and 2006 was as follows:

| DISTRIBUTIONS PAID FROM: | 2007          | 2006          |
|--------------------------|---------------|---------------|
| Ordinary Income          | \$ 12,315,585 | \$ 11,648,274 |
| Long-term Capital gains  | \$ --         | \$ --         |

### F. EXPENSE REDUCTION:

Citibank, N.A. ("Citibank") serves as custodian to the Trust. Pursuant to the custodian agreement, Citibank receives a fee reduced by credits on cash balances the Trust maintains with Citibank. All credit balances, if



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MASSMUTUAL PARTICIPATION INVESTORS

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

any, used to reduce the Trust's custodian fees are reported as fees paid indirectly on the Statement of Operations. For the year ended December 31, 2007, there were no credit balances used to reduce custodian fees.

### 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 also provides administration of the day-to-day operations of the Trust and provides the Trust with office space and office equipment, accounting and bookkeeping services, and necessary executive, clerical and secretarial personnel for the performance of the foregoing services.

#### B. FEE:

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

### 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 year ended December 31, 2007, the Trust incurred total interest expense on the Note of \$696,000.

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 N.A. (the "Agent Bank") dated May 29, 1997, which had a stated maturity date of May 31, 2004, (the maturity date was later extended to May 31, 2007 pursuant to the First Amended and Restated Revolving Credit Agreement). On May 31, 2007, the maturity date of this loan was extended to May 30, 2008, and its terms were amended and restated pursuant to the First Amendment to the First Amended and Restated Revolving Credit Agreement (the "Revolver"), between the Trust and the Agent Bank.

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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 Eurodollar Base 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 Eurodollar Base Rate Loans equals .35% plus the British Bankers Association LIBOR rate, divided by 1 minus the Eurodollar Reserve Percentage. The Trust also incurs expense on the undrawn portion of the total Revolver at a rate of .25% from January 1, 2007 through May 31, 2007, and the amended rate of .10% from June 1, 2007 through December 31, 2007 per annum.

As of December 31, 2007, there were no outstanding loans against the Revolver. For the year ended December 31, 2007, the Trust incurred expense on the Revolver of \$24,475 related to the undrawn portion.

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### MASSMUTUAL PARTICIPATION INVESTORS

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2007

#### 5. PURCHASES AND SALES OF INVESTMENTS

| FOR THE YEAR ENDED<br>12/31/2007 | COST OF INVESTMENTS<br>ACQUIRED  |
|----------------------------------|--|
| Corporate restricted securities  | \$ 31,739,132  |
| Corporate public securities      | 11,917,394   |
|                                  | <div style="text-align: center;">PROCEEDS FROM<br/>SALES OR MATURITIES</div> |
| Corporate restricted securities  | \$ 28,650,640  |
| Corporate public securities      | 17,803,846   |

The aggregate cost of investments is substantially the same for financial reporting and federal income tax purposes as of December 31, 2007. The net unrealized appreciation of investments for financial reporting and federal tax purposes as of December 31, 2007 is \$501,920 and consists of \$13,263,766 appreciation and \$12,761,846 depreciation.

#### 6. QUARTERLY RESULTS OF INVESTMENT OPERATIONS (UNAUDITED)

|   | AMOUNT       | PER SHARE |
|---|--------------|-----------|
| MARCH 31, 2007  |              |           |
| Investment income   | \$ 3,065,532 |           |
| Net investment income   | 2,439,056    | \$ 0.25   |
| Net realized and unrealized<br>gain on investments (net of taxes) | 663,578      | 0.07      |
| JUNE 30, 2007   |              |           |
| Investment income   | \$ 3,689,385 |           |
| Net investment income   | 3,111,679    | \$ 0.32   |
| Net realized and unrealized<br>loss on investments (net of taxes) | (698,739)    | (0.07)    |

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 SEPTEMBER 30, 2007  
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|  |              |         |
|--|--------------|---------|
| Investment income  | \$ 4,378,106 |         |
| Net investment income  | 3,768,181    | \$ 0.38 |
| Net realized and unrealized gain on investments (net of taxes) | 786,409      | 0.08    |

-----  
 DECEMBER 31, 2007  
 -----

|  |              |         |
|--|--------------|---------|
| Investment income  | \$ 3,412,839 |         |
| Net investment income  | 2,739,044    | \$ 0.28 |
| Net realized and unrealized loss on investments (net of taxes) | (1,211,363)  | (0.13)  |

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

For the year ended December 31, 2007, the Trust paid its Trustees aggregate remuneration of \$142,750. During the year the Trust did not pay any compensation to any of its Trustees who are "interested persons" (as defined by the 1940 Act) of the Trust. The Trust classifies Messers. Crandall and Joyal as "interested persons" of the Trust.

All of the Trust's officers are employees of Babson Capital or MassMutual. Pursuant to the Contract, the Trust does not compensate its officers who are employees of Babson Capital or MassMutual.

Mr. Crandall, one of the Trust's Trustees, is an "affiliated person" (as defined by the 1940 Act) of MassMutual and Babson Capital.

The Trust did not make any payments to Babson Capital for the year ended December 31 2007, other than amounts payable to Babson Capital pursuant to the Contract. For the year ended December 31, 2007, the Trust paid the following amounts to MassMutual, exclusive of interest expense on the Note explained in Footnote 4.A:

|   |           |
|---|-----------|
| Preparation of the Trust's Quarterly and Annual Reports to Shareholders | \$ 11,683 |
| Preparation of Certain of the Trust's Shareholder Communications        | 1,223     |
| Preparation of the Trust's Annual Proxy Statements                      | 1,642     |
|   | -----     |
|   | \$ 14,548 |
|   | =====     |

8. NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, FAIR VALUE MEASUREMENTS ("FAS 157"). FAS 157 establishes a single authoritative definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. The change to current generally accepted accounting principles from the application of FAS 157 relates to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. Management of the Trust does not believe the adoption of FAS 157 will materially impact the financial statement amounts, however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements on changes in net

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assets for the period. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

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MASSMUTUAL PARTICIPATION INVESTORS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2007

9. CERTIFICATIONS (UNAUDITED)

As required under New York Stock Exchange ("NYSE") Corporate Governance Rules, the Trust's principal executive officer has certified to the NYSE that he was not aware, as of the certification date, of any violation by the Trust of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Trust's principal executive and principal financial officers have made quarterly certifications, included in filings with the Securities and Exchange Commission on Forms N-CSR and N-Q, relating to, among other things, the Trusts disclosure controls and procedures and internal control over financial reporting, as applicable.

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MASSMUTUAL PARTICIPATION INVESTORS  
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Trustees of MassMutual Participation Investors

We have audited the accompanying statement of assets and liabilities of MassMutual Participation Investors (the Trust), including the schedule of investments, as of December 31, 2007, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and the financial highlights for each of the years in the four-year period then ended. These

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financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the year ended December 31, 2003 was audited by other independent registered public accountants whose report, dated February 6, 2004, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2007 by counting securities at the custodian and by correspondence with the custodian, or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MassMutual Participation Investors as of December 31, 2007, and the results of its operations, its cash flows, the changes in its net assets, and the financial highlights for the years described above, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP  
Boston, Massachusetts  
February 11, 2008

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### MASSMUTUAL PARTICIPATION INVESTORS

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#### INTERESTED TRUSTEES

| NAME (AGE),<br>ADDRESS  | POSITION<br>WITH<br>THE TRUST                           | OFFICE TERM/LENGTH<br>OF TIME SERVED                        | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS  | PORTFOLIO<br>OVERSEEN<br>IN FUND<br>COMPLEX |
|---|---|---|---|---|
| ROGER W. CRANDALL* (43)<br>Massachusetts Mutual Life<br>Insurance Company<br>1295 State Street<br>Springfield, MA 01111 | Trustee<br>(since 2005)<br><br>Chairman<br>(since 2005) | 3 years/<br>1 year,<br>10 months<br><br>1 year/<br>7 months | Executive Vice President and<br>Chief Investment Officer<br>(since 2005) and Co-Chief<br>Operating Officer (since<br>2007) of MassMutual; and<br>Chairman (since 2005),<br>President (2006-2007) and<br>Chief Executive Officer<br>(since 2006), Vice Chairman<br>(2005), Member of the Board<br>of Managers (since 2004),<br>Member of the Board of<br>Directors (2003-2004), and<br>Managing Director of Babson<br>Capital (2000-2005). | 2   |

\* Mr. Crandall is classified as an "interested person" of the Trust and Babson Capital (as defined in the Trust Agreement of 1940, as amended) because of his position as an Officer of the Trust; and Chairman, Chief Executive Officer of the Board of Managers of Babson Capital.

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 INTERESTED TRUSTEES

| NAME (AGE),<br>ADDRESS  | POSITION<br>WITH<br>THE TRUST | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS | PORTFOLIO<br>OVERSEEN<br>IN FUND<br>COMPLEX |
|---|-------------------------------|--------------------------------------|--|---|
| ROBERT E. JOYAL* (63)<br><br>MassMutual Participation<br>Investors<br>1500 Main Street<br>Suite 600<br>P.O. Box 15189<br>Springfield, MA 01115-5189 | Trustee<br>(since 2003)       | 3 years/<br>10 months                | President (2001-2003) of<br>Babson Capital.          | 57  |

\* Mr. Joyal retired as President of Babson Capital in June 2003. In addition and as noted above, Jefferies Group, Inc., which has a wholly-owned broker-dealer subsidiary that may execute portfolio in principal transactions with the Trust, other investment companies advised by Babson Capital over which Babson Capital has brokerage placement discretion. Accordingly, the Trust has determined "interested person" of the Trust and Babson Capital (as defined in the Investment Company Act of 1940).

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 MASSMUTUAL PARTICIPATION INVESTORS

INDEPENDENT TRUSTEES

| NAME (AGE),<br>ADDRESS                | POSITION<br>WITH<br>THE TRUST | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS   | PORTFOLIO<br>OVERSEEN<br>IN FUND<br>COMPLEX |
|---------------------------------------|-------------------------------|--------------------------------------|--|---|
| WILLIAM J. BARRETT (68)<br>MassMutual | Trustee<br>(since 2006)       | 2 years/<br>10 months                | President (since 2002),<br>Barrett-Gardner Associates, | 2   |

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Participation Investors  
 1500 Main Street  
 Suite 600, P.O. Box 15189  
 Springfield, MA 01115-5189

Inc. (investments); and Senior  
 Vice President (1976-2002),  
 Janney Montgomery Scott  
 LLC (investments).

DONALD E. BENSON (77)  
 MassMutual  
 Participation Investors  
 1500 Main Street  
 Suite 600, P.O. Box 15189  
 Springfield, MA 01115-5189

Trustee  
 (since 1988) 3 years/  
 10 months

Executive Vice President 2  
 and Director (since 1992),  
 Marquette Financial  
 Companies (financial services);  
 Partner (since 1996), Benson  
 Family Limited Partnership  
 No. 1 and Benson Family  
 Limited Partnership No. 2  
 (investment partnerships); and  
 Partner (1987-2004), Benson,  
 Pinckney, Oates Partnership  
 (building partnership)

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MASSMUTUAL PARTICIPATION INVESTORS

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 INTERESTED TRUSTEES

| NAME (AGE),<br>ADDRESS  | POSITION<br>WITH<br>THE TRUST | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS  | PORTFOLIO<br>OVERSEEN<br>IN FUND<br>COMPLEX |
|---|-------------------------------|--------------------------------------|---|---|
| MICHAEL H. BROWN (51)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189 | Trustee<br>(since 2005)       | 1 year/<br>10 months                 | Private Investor; and<br>Managing Director (1994-<br>2005), Morgan Stanley.   | 2   |
| DONALD GLICKMAN (74)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189  | Trustee<br>(since 1992)       | 3 years/<br>10 months                | Chairman (since 1992), Donald<br>Glickman and Company,<br>Inc. (private investments);<br>and Partner (since 1992),<br>J.F. Lehman & Co. (private<br>investments). | 2   |

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 MASSMUTUAL PARTICIPATION INVESTORS



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INDEPENDENT TRUSTEES

| NAME (AGE),<br>ADDRESS   | POSITION<br>WITH<br>THE TRUST | OFFICE TERM/LENGTH<br>OF TIME SERVED | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS   | PORTFOLIO<br>OVERSEEN<br>IN FUND<br>COMPLEX |
|--|-------------------------------|--------------------------------------|--|---|
| MARTIN T. HART (72)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189      | Trustee<br>(since 1991)       | 3 years/<br>1 year,<br>10 months     | Private Investor; and<br>President and Director<br>(since 1983), H Investment<br>Company LLC (family<br>partnership).  | 2   |
| CORINE T. NORGAARD (70)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189  | Trustee<br>(since 1998)       | 3 years/<br>2 years,<br>10 months    | President, (2004-2005),<br>Thompson Enterprises Real<br>Estate Investment; and Dean<br>(1996-2004), Barney School<br>of Business, University of<br>Hartford. | 34  |
| MALEYNE M. SYRACUSE (51)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189 | Trustee<br>(since 2007)       | 6 months/<br>4 months*               | Managing Director (2000-<br>2007), JP Morgan Securities,<br>Inc.   |   |

\* Ms. Syracuse was appointed by the Board of Trustees to fill a newly created board seat on October 1, 2007.

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MASSMUTUAL PARTICIPATION INVESTORS

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OFFICERS OF THE TRUST

| POSITION | PRINCIPAL<br>OCCUPATION(S) |
|----------|----------------------------|
|----------|----------------------------|

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| NAME (AGE),<br>ADDRESS   | WITH<br>THE TRUST  | OFFICE TERM/LENGTH<br>OF TIME SERVED | DURING PAST<br>5 YEARS  |
|--|--|--------------------------------------|---|
| CLIFFORD M. NOREEN (50)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189  | President  | 1 year/<br>7 months                  | President (since 2005), Vice Pre<br>Vice Chairman (since 2007),; Mem<br>(since 2006), and Managing Direc<br>Capital; Trustee (since 2005), a<br>Subsidiary Trust and MMPI Subsid<br>2005), Vice President (1993-2005<br>Investors.  |
| RODNEY J. DILLMAN (55)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189   | Vice<br>President,<br>Secretary, and<br>Chief Legal<br>Officer | 1 year/<br>7 months                  | Vice President, Secretary, and C<br>of the Trust; Vice President and<br>2000) of MassMutual; General Cou<br>of Babson Capital; Secretary (si<br>and MMPI Subsidiary Trust; and V<br>Chief Legal Officer (since 2006)  |
| JAMES M. ROY (45)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189        | President<br>and Chief<br>Financial<br>Officer                 | 1 year/<br>7 months                  | Vice President and Chief Financi<br>Treasurer (2003-2005), and Assoc<br>Trust; Managing Director (since<br>of Babson Capital; Trustee (sinc<br>and Controller (2003-2005), MMCI<br>Subsidiary Trust; and Vice Presi<br>(since 2005), Treasurer (2003-20<br>(1999-2003), MassMutual Corporat |
| JOHN T. DAVITT, JR. (40)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189 | Comptroller  | 1 year/<br>7 months                  | Comptroller (since 2001) of the<br>Babson Capital; Controller (sinc<br>and MMPI Subsidiary Trust; and C<br>MassMutual Corporate Investors.  |
| MELISSA M. LAGRANT (34)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189  | Chief<br>Compliance<br>Officer                                 | 1 year/<br>7 months                  | Chief Compliance Officer (since<br>Director (since 2005) of Babson<br>Senior Compliance Trading Manage<br>Company, L.P.; Assistant Vice Pr<br>Group (2002-2003), and Assistant<br>Compliance (2001-2002), Zurich S<br>Management; and Chief Compliance<br>Corporate Investors.              |
| RONALD S. TALAIA (39)<br>MassMutual<br>Participation Investors<br>1500 Main Street<br>Suite 600, P.O. Box 15189<br>Springfield, MA 01115-5189    | Treasurer  | 1 year/<br>7 months                  | Treasurer (since 2006) of the Tr<br>Babson Capital; and Treasurer (s<br>Investors. Vice   |

MASSMUTUAL PARTICIPATION INVESTORS

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MASSMUTUAL PARTICIPATION INVESTORS  
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MEMBERS OF THE BOARD OF  
TRUSTEES  
LEFT TO RIGHT:

Donald Glickman  
Chairman,  
Donald Glickman & Company, Inc.

Robert E. Joyal  
Retired President,  
Babson Capital Management LLC

William J. Barrett  
President,  
Barrett-Gardner Associates, Inc.

Michael H. Brown  
Private Investor

Donald E. Benson\*  
Executive Vice President  
and Director,  
Marquette Financial Companies

DIVIDEND REINVESTMENT AND CASH  
REPURCHASE 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.

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Dr. Corine T. Norgaard\*  
President,  
Thompson Enterprises  
Real Estate Investment

Roger W. Crandall  
Executive Vice President,  
Chief Investment Officer and  
Co-Chief Operating Officer  
Massachusetts Mutual Life  
Insurance Company

Martin T. Hart\*  
Private Investor

Maleyne M. Syracuse  
Private Investor

\*Member of the Audit Committee

### OFFICERS

Roger W. Crandall  
Chairman

Clifford M. Noreen  
President

James M. Roy  
Vice President & Chief  
Financial Officer

Rodney J. Dillman  
Vice President, Secretary  
& Chief Legal Officer

Jill A. Fields  
Vice President

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 Officer

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. Cash contributions must be received by the Transfer Agent at least five days (but no more than 30 days) before the payment date of a dividend or distributions. Cash contributions must be received by the Transfer Agent at least five days (but no more than 30 days) before the payment date of a dividend or distributions.

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 anyway, 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

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Participation Investors' Dividend  
Reinvestment and Cash Purchase Plan,  
P.O. Box 173673, Denver, CO 80217-3673.

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MASSMUTUAL PARTICIPATION INVESTORS

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ITEM 2. CODE OF ETHICS.

The Registrant adopted a Code of Ethics for Senior Financial Officers (the "Code") on October 17, 2003, which is available on the Registrant's website at [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv). During the period covered by this Form N-CSR, there were no amendments to, or waivers from, the Code.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Registrant's Board of Trustees has determined that Mr. Donald E. Benson, a Trustee of the Registrant and a member of its Audit Committee, is an audit committee financial expert. Mr. Benson is "independent" for purposes of this Item 3 as required by applicable regulation.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

FEES BILLED TO THE REGISTRANT

KPMG LLP  
Year Ended  
December 31,

KPMG LLP  
Year Ended  
December 31,

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|                    | 2007      | 2006      |
|--------------------|-----------|-----------|
|                    | -----     | -----     |
| Audit Fees         | \$ 48,000 | \$ 35,500 |
| Audit-Related Fees | 5,700     | 5,400     |
| Tax Fees           | 37,200    | 28,500    |
| All Other Fees     | 0         | 0         |
|                    | -----     | -----     |
| Total Fees         | \$ 90,900 | \$ 69,400 |
|                    | =====     | =====     |

### NON-AUDIT FEES BILLED TO BABSON CAPITAL AND MASSMUTUAL

|                    | KPMG LLP<br>Year Ended<br>December 31,<br>2007 | KPMG LLP<br>Year Ended<br>December 31,<br>2006 |
|--------------------|--|--|
|                    | -----  | -----  |
| Audit-Related Fees | \$1,102,280                                    | \$ 912,760                                     |
| Tax Fees           | 0  | 0  |
| All Other Fees     | 75,000   | 0  |
|                    | -----  | -----  |
| Total Fees         | \$1,177,280                                    | \$ 912,760                                     |
|                    | =====  | =====  |

The category "Audit Related Fees" reflects fees billed by KPMG for various non-audit and non-tax services rendered to the Registrant, Babson Capital Management LLC ("Babson Capital") and Massachusetts Mutual Life Insurance Company ("MassMutual"), such as SAS 70 review, agreed upon procedures reports. Preparation of Federal, state and local income tax returns and compliance work are representative of the fees billed in the "Tax Fees" category. The category "All Other Fees" represents fees billed by KPMG for tax consulting rendered to Babson Capital and MassMutual. The Sarbanes-Oxley Act of 2002 and its implementing regulations allows the Registrant's Audit Committee to establish a pre-approval policy for certain services rendered by the Registrant's independent accountants. During 2007, the Registrant's Audit Committee approved all of the services rendered to the Registrant by KPMG and did not rely on such a pre-approval policy for any such services.

The Audit Committee reviewed the aggregate fees billed for professional services rendered by KPMG for the Registrant and for the non-audit services provided to Babson Capital, and Babson Capital's parent, MassMutual. As part of this review, the Audit Committee considered whether the provision of such non-audit services were compatible with maintaining the principal accountant's independence.

The 2006 fees billed represent final 2006 amounts, which may differ from the preliminary figures available as of the filing date of the Trust's 2007 Annual Form N-CSR and includes, among other things, fees for services that may not have been billed as of the filing date of the Trust's 2007 Annual Form N-CSR, but are now properly included in the 2006 fees billed to the Trust, Babson Capital, and MassMutual.

#### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The Registrant maintains an Audit Committee composed exclusively of Trustees of the Registrant who qualify as "independent" Trustees under the current listing standards of the New York Stock Exchange and the

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rules of U.S. Securities and Exchange Commission. The Committee operates pursuant to a written Audit Committee Charter, which is available (1) on the Registrant's website, [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv); and (2) without charge, upon request, by calling, toll-free 866-399-1516. The current members of the Audit Committee are Donald E. Benson, Martin T. Hart, and Corine T. Norgaard.

### ITEM 6. SCHEDULE OF INVESTMENTS

Not applicable for this filing.

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED END MANAGEMENT INVESTMENT COMPANIES.

The Registrant's Board of Trustees delegated proxy voting responsibilities relating to voting securities held by the Registrant to its investment adviser, Babson Capital Management LLC ("Babson Capital"). A summary of Babson Capital's proxy voting policies and procedures is set forth below.

#### Summary of Babson Capital's Proxy Voting Policy

-----

Babson Capital views the voting of proxies as part of its investment management responsibility and believes, as a general principle, that proxies should be voted solely in the best interests of its clients (i.e. in a manner it believes is most likely to enhance the economic value of the underlying securities and client accounts). To implement this general principle, it is Babson Capital's policy to generally vote proxies in accordance with the recommendations of Institutional Shareholder Services ("ISS"), a recognized authority on proxy voting and corporate governance, or, in cases where ISS has not made any recommendations with respect to a proxy, in accordance with ISS's proxy voting guidelines.

Babson Capital recognizes, however, that there may be times when Babson Capital believes that it will be in the best interests of clients holding the securities to (1) vote against ISS's recommendations or (2) in cases where ISS has not provided Babson Capital with any recommendations with respect to a proxy, vote against ISS's proxy voting guidelines. Babson Capital may vote, in whole or part, against ISS's recommendations or ISS's proxy voting guidelines, as applicable. The procedures set forth in the Policy are designed to ensure that votes against ISS's recommendations or proxy voting guidelines have been made in the best interests of clients and are not the result of any material conflict of interest (a "Material Conflict").

#### Summary of Babson Capital's Proxy Voting Procedures

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Babson Capital has established a Proxy Committee that is responsible for the implementation and governance of the Policy and designated Proxy Administrators who will receive and post proxies for voting with ISS. In accordance with the Policy, Babson Capital will generally vote all client proxies in accordance with ISS's recommendation or proxy voting guidelines, unless a person authorized by the Proxy Committee (each a "Proxy Analyst"), the Proxy Committee or a designated member of the Proxy Committee determines that it is in the clients' best interest to vote against ISS's recommendation or proxy voting guidelines. In these cases, Babson Capital will vote against ISS's recommendation or proxy voting guidelines, so long as no other Proxy Analyst reviewing such proxy disagrees with such recommendation, and no known Material

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Conflict is identified by the Proxy Analyst(s) or the Proxy Administrator. Otherwise, the proxy is to be submitted to a member of the Proxy Committee, who shall determine how to vote the proxy unless (i) the Proxy Analyst or Proxy Administrator has identified a Babson Capital Material Conflict or (ii) said Proxy Committee member has identified a Material Conflict pertinent to him or herself or a Babson Capital material conflict. In such cases, the proxy shall be

submitted to the Proxy Committee, which may authorize a vote against ISS's recommendation or proxy voting guidelines only if the Proxy Committee determines that such vote is in the clients' best interests.

No employee, officer, director, or Board of Managers Member of Babson Capital or its affiliates (other than those assigned such responsibilities under the Policy) may influence how Babson Capital votes any client proxy, unless such person has been requested to provide such assistance by a Proxy Analyst or Proxy Committee member and has disclosed any known Material Conflict. Any pre-vote communications prohibited by the Policy shall be reported to the Proxy Committee member prior to voting and to Babson Capital's General Counsel.

Obtaining a Copy of the Policy  
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The full text of Babson Capital's Policy is available (1) without charge, upon request, by calling 1-866-399-1516 or (2) on the Registrant's website, [www.babsoncapital.com/mpv](http://www.babsoncapital.com/mpv).

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

The following disclosure item is made as of the date of this Form N-CSR unless otherwise indicated.

PORTFOLIO MANAGER. Clifford M. Noreen serves as the President of the Registrant (since 2005) and as its Portfolio Manager. Mr. Noreen began his service to the Registrant in 1993 as a Vice President. With over 25 years of industry experience, Mr. Noreen is Vice Chairman, a Managing Director and a Member of the Board of Managers of Babson Capital Management LLC ("Babson Capital") and head of Babson Capital's Corporate Securities Group, where he oversees public equities and corporate credit related investments, including public and private bonds, mezzanine, and private equity investments, and structured credit products. Mr. Noreen joined Massachusetts Mutual Life Insurance Company ("MassMutual"), Babson Capital's parent company, in 1985 and began leading its High Yield Team in 1992, where he was responsible for oversight of all public high yield portfolios. In 2004, Mr. Noreen assumed responsibility for Babson Capital's Public Corporate Credit Group, which included the Investment Grade and High Yield Institutional Fixed Income teams. Mr. Noreen also presently serves as President of MassMutual Corporate Investors, another closed-end registered investment company advised by Babson Capital. Mr. Noreen holds a B.A. from the University of Massachusetts and an M.B.A from American International College.

PORTFOLIO MANAGEMENT TEAM. Mr. Noreen has primary responsibility for overseeing the investment of the Registrant's portfolio, with the day-to-day investment management responsibility of the Registrant's portfolio being shared with the following Babson Capital investment professionals (together with the Portfolio Manager, the "Portfolio Team").



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Michael P. Hermsen, Michael L. Klofas, and Richard E. Spencer II are each a Vice President of the Registrant and a Managing Director of Babson Capital. Together they are responsible for managing Babson Capital's Mezzanine Investment and Private Equity Investments Team within the Corporate Securities Group, which is responsible for finding, analyzing, negotiating and servicing mezzanine private placement securities for the Registrant.

Mr. Hermsen joined MassMutual in 1990 and has been an officer of the Registrant since 1992. Previously, he worked at Teachers Insurance and Annuity Association where he was a generalist private placement analyst. At MassMutual and then Babson Capital, Mr. Hermsen has analyzed and invested in traditional private placements, high yield public and private bonds, and leveraged bank loans. He has also been responsible for managing a small portfolio of distressed investments. Since 1993, he has focused on originating, analyzing, structuring and documenting mezzanine and private equity investments. He holds a B.A. from Bowdoin College and an M.B.A. from Columbia University.

Mr. Klofas joined MassMutual in 1988 and has been an officer of the Registrant since 1989. Prior to joining MassMutual, he spent two years at a small venture capital firm and two years at a national public accounting firm. At MassMutual and then Babson Capital, Mr. Klofas has analyzed and invested in traditional private placements and high yield public bonds. He also spent four years leading Babson Capital's workout and restructuring activities. Since 1993, he has focused on originating, analyzing, structuring and documenting mezzanine and private equity investments. Mr. Klofas holds a B.A. from Brandeis University and an M.B.A. from Babson College as well as a Certified Public Accountant designation.

Mr. Spencer joined MassMutual in 1989 after three years as a corporate loan analyst at a major New England bank. He has been an officer of Registrant since 1990. At MassMutual and then Babson Capital, Mr. Spencer has analyzed and invested in traditional private placements, high yield public and private bonds, leveraged bank loans, mezzanine debt and private equity. From 1993 to 1999, he was the lead restructuring professional at Babson Capital. Since 1999, Mr. Spencer has been focused on the origination, analysis, structuring and documentation of mezzanine and private equity investments. He holds a B.A. from Bucknell University and an M.B.A. from the State University of New York at Buffalo.

Jill A. Fields is responsible for the day-to-day management of the Registrant's public high yield and investment grade fixed income portfolio. Ms. Fields has been a Vice President of the Registrant since 2006. Ms. Fields is a Managing Director of Babson Capital with over 20 years of industry experience in high yield total return, structured credit, leveraged loans and private placemet investing. Prior to joining Babson Capital in 1997, she was a credit analyst at Shawmut National Bank, and the Director of Corporate Bond Research at Hartford Life Insurance Group. Ms. Fields holds a B.S. from Pennsylvania State University and an M.B.A. from the University of Connecticut.

OTHER ACCOUNTS MANAGED BY THE PORTFOLIO TEAM. The members of the Registrant's Portfolio Team also have primary responsibility for the day-to-day management of other Babson Capital advisory accounts, including, among others, closed-end and open-end investment companies, private investment funds, MassMutual-affiliated accounts, as well as separate accounts for institutional clients. These advisory accounts

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are identified below.

| PORTFOLIO<br>TEAM         | ACCOUNT<br>CATEGORY                 | TOTAL<br>NUMBER<br>OF<br>ACCOUNTS | APPROXIMATE<br>TOTAL ASSET<br>SIZE (A) | NUMBER OF<br>ACCOUNTS<br>WITH<br>PERFORMANCE-<br>BASED<br>ADVISORY FEE | APPROXIMATE<br>ASSET SIZE<br>PERFORMANCE-<br>BASED AD<br>FEE ACCO |
|---------------------------|-------------------------------------|-----------------------------------|--|--|---|
| Clifford M.<br>Noreen (B) | Registered Investment<br>Companies  | 1                                 | \$251.2 million                        | 0  | N/A   |
|                           | Other Pooled Investment<br>Vehicles | 1                                 | \$42.2 million                         | 1  | \$42.2 mi   |
|                           | Other Accounts                      | 0                                 | N/A                                    | 0  | N/A   |
| Jill A.<br>Fields         | Registered Investment<br>Companies  | 3                                 | \$879.1 million                        | 0  | N/A   |
|                           | Other Pooled Investment<br>Vehicles | 1                                 | \$55.6 million                         | 1  | \$55.6 mi   |
|                           | Other Accounts                      | 5 (C)                             | \$1.8 billion                          | 0  | N/A   |
| Michael P.<br>Hermsen     | Registered Investment<br>Companies  | 1                                 | \$251.2 million                        | 0  | N/A   |
|                           | Other Pooled Investment<br>Vehicles | 5                                 | \$403.5 million                        | 5  | \$403.5 m   |
|                           | Other Accounts                      | 1 (D)                             | \$1.5 billion                          | N/A  | N/A   |
| Michael L.<br>Klofas      | Registered Investment<br>Companies  | 1                                 | \$251.2 million                        | 0  | N/A   |
|                           | Other Pooled Investment<br>Vehicles | 5                                 | \$403.5 million                        | 5  | \$403.5 m   |
|                           | Other Accounts                      | 1 (D)                             | \$1.5 billion                          | N/A  | N/A   |
| Richard E.<br>Spencer II  | Registered Investment<br>Companies  | 1                                 | \$251.2 million                        | 0  | N/A   |
|                           | Other Pooled Investment<br>Vehicles | 5                                 | \$403.5 million                        | 5  | \$403.5 m   |
|                           | Other Accounts                      | 1 (D)                             | \$1.5 billion                          | N/A  | N/A   |

(A) Account asset size has been calculated as of December 31, 2007.

(B) Mr. Noreen, as the head of Babson Capital's Corporate Securities Group, has overall responsibility for all corporate credit related investments, including public and private bonds, mezzanine, and private equity investments, as well as structured credit products managed by Babson Capital. Except for the accounts noted in the table above, Mr. Noreen is not primarily responsible for the day-to-day management of the other accounts managed by Babson Capital's Corporate Securities Group.

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- (C) Ms. Fields manages approximately \$960 million of the general investment account of Massachusetts Mutual Life Insurance Company. These assets are represented as one account in the table above.
- (D) The listed account and managed assets represent that portion of the general investment account of MassMutual and C.M. Life Insurance Company for which an individual Portfolio Team member has primary day-to-day responsibility. As of December 31, 2007, Babson Capital's total general investment account assets under management were \$57.7 billion dollars.

**MATERIAL CONFLICTS OF INTEREST.** The potential for material conflicts of interest may exist as the members of the Portfolio Team have responsibilities for the day-to-day management of multiple accounts. These conflicts may be heightened to the extent the individual, Babson Capital and/or an affiliate has an investment in one or more of such accounts or an interest in the performance of such accounts. Babson Capital has identified (and summarized below) areas where material conflicts of interest are most likely to arise, and has adopted policies and procedures that it believes are reasonably designed to address such conflicts.

It is possible that an investment opportunity may be suitable for both the Registrant and other accounts managed by a member of the Portfolio Team, but may not be available in sufficient quantities for both the Registrant and the other accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by the Registrant and another account. A conflict may arise where a member of the Portfolio Team may have an incentive to treat an account preferentially as compared to the Registrant because the account pays Babson Capital a performance-based fee or a member of the Portfolio Team, Babson Capital, or an affiliate has an interest in the account. Babson Capital has adopted an investment allocation policy and trade allocation procedures to address allocation of portfolio transactions and investment opportunities across multiple clients. These policies are designed to achieve fair and equitable treatment of all clients over time, and specifically prohibit allocations based on performance of an account, the amount or structure of the management fee, performance fee or profit sharing allocations, participation or investment by an employee, Babson Capital or an affiliate, whether the account is public, private, proprietary or third party. Additionally, the Registrant, MassMutual, Babson Capital, MassMutual Corporate Investors, and any private investment company advised or sub-advised by Babson Capital have obtained a blanket order from the Securities and Exchange Commission pursuant to Section 17(d), and Rule 17(d)-1 thereunder, of the Investment Company Act of 1940, as amended, which sets forth the conditions by which the entities can engage in private placement co-investment activities.

Potential material conflicts of interest may also arise related to the knowledge and timing of the Registrant's trades, investment opportunities and broker selection. A member of the Portfolio Team will have information about the size, timing and possible market impact of the Registrant's trades. It is theoretically possible that a member of the Portfolio Team could use this information for his or her personal advantage or the advantage of other accounts he manages or the possible detriment of the Registrant. For example, a member of the Portfolio Team could front run a fund's trade or short sell a security for an account immediately prior to the Registrant's sale of that security. To

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address these conflicts, Babson Capital has adopted policies and procedures governing employees' personal securities transactions, the use of short sales, and trading between the Registrant and other accounts managed by members of the Portfolio Team or accounts owned by Babson Capital or its affiliates.

With respect to securities transactions for the Registrant, Babson Capital determines which broker to use to execute each order, consistent with its duty to seek best execution of the transaction. Babson Capital manages certain other accounts, however, where Babson Capital may be limited by the client with respect to the selection of brokers or directed to trade such client's transactions through a particular broker. In these cases, trades for a fund in a particular security may be placed separately from, rather than aggregated with, such other accounts. Placing separate transaction orders for a security may temporarily affect the market price of the security or otherwise affect the execution of the transaction to the possible detriment of a fund or the other account(s) involved. Babson Capital has policies and procedures that address best execution and directed brokerage.

Members of the Portfolio Team may also face other potential conflicts of interest in managing the Registrant, and the above is not a complete description of every conflict of interest that could be deemed to exist in managing both the Registrant and the other accounts listed above.

COMPENSATION. The current Babson Capital compensation and incentive program for investment professionals is designed to attract, motivate and retain high-performing individuals.

To help Babson Capital make informed decisions, the Company participates in annual compensation surveys of investment management firms using McLagan Partners, in addition to other industry specific resources. The firms selected for periodic peer-group comparisons typically have similar asset size or business mix. Annually, a review is conducted of total compensation versus market, to ensure that individual pay is competitive with the defined overall market.

The compensation package for the members of the Portfolio Team is comprised of a market-driven base salary, a performance-driven annual bonus, and discretionary long-term incentives. The performance-driven bonus is based on the performance of the accounts managed by the members of the Portfolio Team relative to appropriate benchmarks, including with respect to the Registrant, to the Russell 2000 Index and Lehman Brothers U.S. Corporate High Yield Index. Performance of the Registrant, like other accounts Portfolio Team members manage, are evaluated on a pre-tax basis, and are reviewed over one and three-year periods, with greater emphasis given to the latter. There are other factors that affect bonus awards to a lesser extent, such as client satisfaction, teamwork, the assets under management, and the overall success of Babson Capital. Such factors are considered as a part of the overall annual bonus evaluation process by the management of Babson Capital.

Long-Term incentives are designed to share with participants the longer-term value created in Babson Capital. Long-term incentives may take the form of deferred cash awards (including deferred cash awards that provide a portfolio manager with the economic equivalent of a "shareholder" interest in the firm by linking the value of the award to a formula which ties to the value of the business), and/or, in the case of a portfolio manager who manages a private investment fund with a

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performance fee, a deferred cash award or a direct profit sharing interest that results in the manager receiving amounts based on the amount of the performance fee paid by such fund. These long-term incentives vest over time and are granted annually, based upon the same criteria used to determine the performance-driven annual bonus detailed above. Because the Portfolio Team members are generally responsible for multiple accounts (including the Registrant), they are compensated on the overall performance of the accounts that they manage, rather than a specific account, except for the portion of compensation relating to any performance fee award.

**BENEFICIAL OWNERSHIP.** As of December 31, 2007, members of the Portfolio Team beneficially owned the following dollar range of equity securities in the Registrant:

| PORTFOLIO TEAM        | DOLLAR RANGE OF BENEFICIALLY OWNED*<br>EQUITY SECURITIES OF THE REGISTRANT |
|-----------------------|--|
| -----                 | -----  |
| Clifford M. Noreen    | None   |
| Jill A. Fields        | None   |
| Michael P. Hermsen    | \$10,001-\$50,000  |
| Michael L. Klofas     | None   |
| Richard E. Spencer II | None   |

\* Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, as amended.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not Applicable for this filing.

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not Applicable for this filing.

### ITEM 11. CONTROLS AND PROCEDURES.

(a) The principal executive officer and principal financial officer of the Registrant evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as of a date within 90 days of the filing date of this report and based on that evaluation have concluded that such disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) during the Registrant's second fiscal half-year that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

(a) (1) ANY CODE OF ETHICS, OR AMENDMENTS THERETO, THAT IS THE SUBJECT OF

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DISCLOSURE REQUIRED BY ITEM 2, TO THE EXTENT THAT THE REGISTRANT INTENDS TO SATISFY THE ITEM 2 REQUIREMENTS THROUGH THE FILING OF AN EXHIBIT.

None.

- (a) (2) A SEPARATE CERTIFICATION FOR EACH PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER OF THE REGISTRANT AS REQUIRED BY RULE 30a-2 UNDER THE ACT.

Attached hereto as EX-99.31.1
Attached hereto as EX-99.31.2

- (a) (3) ANY WRITTEN SOLICITATION TO PURCHASE SECURITIES UNDER RULE 23c-1 UNDER THE ACT (17 CFR 270.23c-1) SENT OR GIVEN DURING THE PERIOD COVERED BY THE REPORT BY OR ON BEHALF OF THE REGISTRANT TO 10 OR MORE PERSONS.

Not Applicable for this filing.

- (b) CERTIFICATIONS PURSUANT TO RULE 302-2(b) UNDER THE ACT.

Attached hereto as EX-99.32

SIGNATURES

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

(Registrant): MassMutual Participation Investors
By: /s/ Clifford M Noreen
Clifford M Noreen, President
Date: March 7, 2008

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

By: /s/ Clifford M Noreen
Clifford M Noreen, President
Date: March 7, 2008
By: /s/ James M. Roy
James M. Roy, Vice President, and
Chief Financial Officer
Date: March 7, 2008