

MASSMUTUAL PARTICIPATION INVESTORS

Form N-30D

November 29, 2011

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Boston, MA 02116

* Member of the MassMutual Financial Group

Investment Objective and Policy

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

Form N-Q

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

Proxy Voting Policies & Procedures; Proxy Voting Record

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

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 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.

TO OUR SHAREHOLDERS

MassMutual Participation Investors

October 31, 2011

We are pleased to present the September 30, 2011 Quarterly Report of MassMutual Participation Investors (the "Trust").

The Board of Trustees declared a quarterly dividend of 27 cents per share, payable on November 10, 2011 to shareholders of record on October 31, 2011. The Trust paid a 27 cent per share dividend for the preceding quarter. The Trust earned 28 cents per share of net investment income for the third quarter of 2011, compared to 34 cents per share in the previous quarter. The previous quarter's earnings included approximately 7 cents per share of income due to nonrecurring items.

During the third quarter, the net assets of the Trust decreased to \$126,154,855 or \$12.49 per share compared to \$126,256,640 or \$12.52 per share on June 30, 2011. This translates into a 1.9% total return for the quarter, based on the change in the Trust's net assets assuming the reinvestment of all dividends. Longer term, the Trust returned 13.3%, 9.8%, 8.3%, and 13.5% for the 1-, 3-, 5-, and 10-year time periods, respectively, based on the change in the Trust's net assets assuming the reinvestment of all dividends.

The Trust's share price increased 1.2% during the quarter, from \$14.94 per share as of June 30, 2011 to \$15.12 per share as of September 30, 2011. The Trust's market price of \$15.12 per share equates to a 21.1% premium over the September 30, 2011 net asset value per share of \$12.49. The Trust's average quarter-end premium for the 3, 5 and 10-year periods was 6.2%, 7.7% and 8.8%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, decreased 21.8% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, decreased 6.1% for the quarter.

The Trust closed four new private placement investments during the third quarter. The four new investments were in LPC Holding Company, Marshall Physician Services LLC, Merex Holding Corporation and Strata/WLA Holding Corporation. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in these four transactions was \$3,000,000.

Last quarter, I characterized middle market buyout activity as lackluster. Activity in the third quarter and thus far in the fourth quarter presents quite a contrast as our deal flow has been robust. Deal flow often fluctuates from quarter to quarter and it is usually hard to pinpoint the exact reasons why. That is certainly the case today. It does appear, though, that the deal supply/capital availability imbalance that I mentioned in prior quarters has come into better balance. After closing only two new platform investments in the first half of the year, it was a welcome change to close four new attractive platform investments this quarter. Subsequent to quarter-end, we have already closed two additional platform investments, and we have several more transactions in process. It looks like it will be a busy fourth quarter. Be assured, however, that despite the pickup in deal flow, we will continue to maintain the same investment discipline and philosophy that has served us well for many years.

(Continued)

Most of our portfolio companies once again reported improved operating results in the third quarter of 2011. Several more of our companies were also able to resume paying cash interest on their debt obligations due to their improved financial results and liquidity positions. We are pleased with the continued improving quality of the portfolio. Realization activity in the third quarter was limited, with just one portfolio company, Momentum Holding Company, sold. However, one additional company, Nesco Holding Corporation, was sold for a nice gain in the middle of October. We also continue to have a healthy backlog of companies that are in various stages of a sale process, so we expect realization activity to be strong for the next few quarters at least.

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

Sincerely,

Michael L. Klofas

President

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

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 on 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.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

MassMutual Participation Investors

September 30, 2011

(Unaudited)

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value

(Cost - \$118,584,600)

\$ 109,976,283

Corporate restricted securities at market value

(Cost - \$2,640,284)

2,465,561

Corporate public securities at market value

(Cost - \$13,602,690)

13,872,051

Short-term securities at amortized cost

9,199,612

Total investments (Cost - \$144,027,186)

135,513,507

Cash

2,758,051

Interest receivable

1,232,338

Receivable for investments sold

822

Other assets

329,223

Total assets

139,833,941

Liabilities:

Note payable

12,000,000

Payable for investments purchased

375,000

Deferred tax liability

627,885

Investment advisory fee payable

283,848

Interest payable

262,933

Accrued expenses

129,420

Total liabilities

13,679,086

Total net assets

\$ 126,154,855

Net Assets:

Common shares, par value \$.01 per share

\$ 100,970

Additional paid-in capital

94,480,979

Retained net realized gain on investments, prior years

33,183,269

Undistributed net investment income

5,604,736

Accumulated net realized gain on investments

1,926,465

Net unrealized depreciation of investments

(9,141,564)

Total net assets

\$ 126,154,855

Common shares issued and outstanding (14,785,750 authorized)

10,096,975

Net asset value per share

\$ 12.49

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF OPERATIONS

For the nine months ended September 30, 2011

(Unaudited)

Investment Income:	
Interest	\$10,954,443
Dividends	224,867
Other	52,934
Total investment income	11,232,244
Expenses:	
Investment advisory fees	846,876
Interest	522,000
Trustees' fees and expenses	170,225
Professional fees	146,900
Reports to shareholders	62,993
Custodian fees	22,000
Other	25,254
Total expenses	1,796,248
Investment income - net	9,435,996
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	843,303
Income tax expense	(52,393)
Net realized gain on investments after taxes	790,910
Net change in unrealized depreciation of investments before taxes	1,542,155
Net change in deferred income tax expense	(363,420)
Net change in unrealized depreciation of investments after taxes	1,178,735
Net gain on investments	1,969,645
Net increase in net assets resulting from operations	\$11,405,641

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS MassMutual Participation Investors
 For the nine months ended September 30, 2011
 (Unaudited)

Net decrease in cash:	
Cash flows from operating activities:	
Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$867,753
Purchases of portfolio securities	(18,869,007)
Proceeds from disposition of portfolio securities	18,674,946
Interest, dividends and other income received	8,242,228
Interest expense paid	(348,000)
Operating expenses paid	(1,322,036)
Income taxes paid	(515,718)
Net cash provided by operating activities	6,730,166
Cash flows from financing activities:	
Cash dividends paid from net investment income	(7,952,096)
Receipts for shares issued on reinvestment of dividends	648,507
Net cash used for financing activities	(7,303,589)
Net decrease in cash	(573,423)
Cash - beginning of year	3,331,474
Cash - end of period	\$2,758,051
Reconciliation of net increase in net assets to net cash provided by operating activities:	
Net increase in net assets resulting from operations	\$11,405,641
Increase in investments	(4,844,229)
Decrease in interest receivable	97,492
Increase in receivable for investments sold	(822)
Increase in other assets	(329,223)
Increase in payable for investments purchased	375,000
Increase in deferred tax liability	363,420
Increase in investment advisory fee payable	15,256
Increase in interest payable	174,000
Decrease in accrued expenses	(45,916)
Decrease in accrued taxes payable	(463,325)
Decrease in other payables	(17,128)
Total adjustments to net assets from operations	(4,675,475)
Net cash provided by operating activities	\$6,730,166

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the nine months ended 09/30/11 (Unaudited)	For the year ended 12/31/10
Increase in net assets:		
Operations:		
Investment income - net	\$ 9,435,996	\$ 10,266,428
Net realized gain on investments after taxes	790,910	1,179,654
Net change in unrealized depreciation of investments after taxes	1,178,735	8,365,960
Net increase in net assets resulting from operations	11,405,641	19,812,042
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2011 - 46,704; 2010 - 67,032)	648,507	828,922
Dividends to shareholders from:		
Net investment income (2011 - \$0.54 per share; 2010 - \$1.00 per share)	(5,439,528)	(10,026,104)
Total increase in net assets	6,614,620	10,614,860
Net assets, beginning of year	119,540,235	108,925,375
Net assets, end of period/year (including undistributed net investment income of \$5,604,737 and \$1,608,268, respectively)	\$ 126,154,855	\$ 119,540,235

See Notes to Consolidated Financial Statements

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CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS
Selected data for each share of beneficial interest
outstanding:

MassMutual Participation Investors

	For the nine months ended 09/30/2011 (Unaudited)		For the years ended December 31,				2007	2006
	2010	2009	2008	2007	2006			
Net asset value:								
Beginning of year	\$ 11.89	\$ 10.91	\$ 11.10	\$ 12.84	\$ 12.90	\$ 12.21		
Net investment income (a)	0.94	1.02	0.94	1.08	1.23	1.10		
Net realized and unrealized gain (loss) on investments	0.20	0.95	(0.13)	(1.82)	(0.05)	0.77		
Total from investment operations	1.14	1.97	0.81	(0.74)	1.18	1.87		
Dividends from net investment income to common shareholders	(0.54)	(1.00)	(1.00)	(1.00)	(1.23)	(1.18)		
Dividends from net realized gain on investments to common shareholders	-	-	-	-	(0.02)	(0.01)		
Increase from dividends reinvested	0.00 (b)	0.01	0.00 (b)	0.00 (b)	0.01	0.01		
Total dividends	(0.54)	(0.99)	(1.00)	(1.00)	(1.24)	(1.18)		
Net asset value: End of period/year	\$ 12.49	\$ 11.89	\$ 10.91	\$ 11.10	\$ 12.84	\$ 12.90		
Per share market value:								
End of period/year	\$ 15.12	\$ 13.88	\$ 12.20	\$ 9.05	\$ 13.18	\$ 14.70		
Total investment return								
Net asset value (c)	9.71 %	18.71 %	7.60 %	(6.01 %)	9.95 %	18.64 %		
Market value (c)	13.18 %	22.94 %	40.86 %	(25.36 %)	(1.30 %)	16.81 %		
Net assets (in millions):								
End of period/year	\$ 126.15	\$ 119.54	\$ 108.93	\$ 110.18	\$ 126.63	\$ 126.52		
Ratio of operating expenses to average net assets	1.38 % ^(e)	1.46 %	1.41 %	1.33 %	1.36 %	1.17 %		
Ratio of interest expense to average net assets	0.56 % ^(e)	0.61 %	0.63 %	0.58 %	0.56 %	0.57 %		
Ratio of income tax expense to average net assets (d)	0.06 % ^(e)	0.46 %	0.00 %	0.00 %	0.48 %	2.68 %		
Ratio of total expenses before custodian fee	2.00 % ^(e)	2.53 %	2.04 %	1.91 %	2.40 %	4.46 %		

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reduction to average net assets (d)												
Ratio of net expenses after custodian fee reduction to average net assets (d)	2.00	%(e)	2.53	%	2.04	%	1.91	%	2.40	%	4.42	%
Ratio of net investment income to average net assets	10.20	%(e)	8.96	%	8.55	%	8.74	%	9.32	%	8.43	%
Portfolio turnover	15	%	27	%	23	%	32	%	33	%	34	%

(a) Calculated using average shares.

(b) Rounds to less than \$0.01 per share.

(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 total investment return based on the Trust's market value due to the difference between the Trust's net 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 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.

(e) Annualized

Senior borrowings:

Total principal amount (in millions)	\$12	\$12	\$12	\$12	\$12	\$12
Asset coverage per \$1,000 of indebtedness	\$11,513	\$10,962	\$10,077	\$10,181	\$11,552	\$11,543

See Notes to Consolidated Financial Statements

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2011

(Unaudited)

Corporate Restricted Securities - 89.13%: (A)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Private Placement Investments - 87.18%				
A E Company, Inc. A designer and manufacturer of machined parts and assembly structures for the commercial and military aerospace industries.				
11% Senior Secured Note due 2015	\$ 715,384	*	\$ 704,586	\$ 737,696
13% Senior Subordinated Note due 2016	\$ 807,693	11/10/09	737,874	830,512
Common Stock (B) 184,615 shs.		11/10/09	184,615	102,129
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B) 92,308 shs.		11/10/09	68,566	51,065
* 11/10/09 and 11/18/09.			1,695,641	1,721,402
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	\$ 1,383,751	11/21/07	1,365,715	1,383,751
Limited Partnership Interest (B) 12.26% int.		11/21/07	119,009	175,683
			1,484,724	1,559,434
A S A P Industries LLC A designer and manufacturer of components used on oil and natural gas wells.				
12.5% Senior Subordinated Note due 2015	\$ 450,500	12/31/08	407,442	455,005
Limited Liability Company Unit Class A-2 (B) 676 uts.		12/31/08	74,333	280,749
Limited Liability Company Unit Class A-3 (B) 608 uts.		12/31/08	66,899	252,677
			548,674	988,431
A S C Group, Inc. A designer and manufacturer of high reliability encryption equipment, communications products, computing systems and electronic components primarily for the military and aerospace sectors.				
12.75% Senior Subordinated Note due 2016	\$ 1,227,273	10/09/09	1,083,689	1,251,818
Limited Liability Company Unit Class A (B) 2,186 uts.		*	214,793	288,287

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Limited Liability Company Unit Class B (B)	1,473 uts.	10/09/09	144,716	194,257
* 10/09/09 and 10/27/10.			1,443,198	1,734,362

A W X Holdings Corporation

A provider of aerial equipment rental, sales and repair services to non-residential construction and maintenance contractors operating in the State of Indiana.

10.5% Senior Secured Term Note due 2014 (D)	\$ 420,000	05/15/08	413,944	378,000
13% Senior Subordinated Note due 2015 (D)	\$ 420,000	05/15/08	384,627	-
Common Stock (B)	60,000 shs.	05/15/08	60,000	-
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	21,099 shs.	05/15/08	35,654	-
			894,225	378,000

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
September 30, 2011
(Unaudited)

MassMutual Participation Investors

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Advanced Technologies Holdings				
A provider of factory maintenance services to industrial companies.				
15% Senior Subordinated Note due 2013				
	\$ 1,208,491	12/27/07	\$ 1,197,693	\$ 1,208,490
Preferred Stock (B)	546 shs.	12/27/07	270,000	518,337
Preferred Stock Series B (B)	28 shs.	01/04/11	21,600	26,400
			1,489,293	1,753,227
Aero Holdings, Inc.				
A provider of geospatial services to corporate and government clients.				
10.5% Senior Secured Term Note due 2014				
	\$ 697,500	03/09/07	692,947	714,719
14% Senior Subordinated Note due 2015				
	\$ 720,000	03/09/07	674,128	720,000
Common Stock (B)	150,000 shs.	03/09/07	150,000	248,786
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	37,780 shs.	03/09/07	63,730	62,661
			1,580,805	1,746,166
All Current Holding Company				
A specialty re-seller of essential electrical parts and components primarily serving wholesale distributors.				
12% Senior Subordinated Note due 2015				
	\$ 603,697	09/26/08	565,665	603,697
Common Stock (B)	713 shs.	09/26/08	71,303	54,564
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	507 shs.	09/26/08	46,584	38,799
			683,552	697,060
American Hospice Management Holding LLC				
A for-profit hospice care provider in the United States.				
	\$ 1,687,503	*	1,649,773	1,687,503

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12% Senior Subordinated

Note due 2013

Preferred Class A Unit (B)	1,706 uts.	**	170,600	310,094
Preferred Class B Unit (B)	808 uts.	06/09/08	80,789	137,390
Common Class B Unit (B)	16,100 uts.	01/22/04	1	98,288
Common Class D Unit (B)	3,690 uts.	09/12/06	-	22,527
* 01/22/04 and 06/09/08. **				
01/22/04 and 09/12/06.			1,901,163	2,255,802

Apex Analytix Holding Corporation

A provider of audit recovery and fraud detection services and software to commercial and retail businesses in the U.S. and Europe.

12.5% Senior Subordinated Note due 2014	\$ 1,012,500	04/28/09	896,746	1,012,500
Preferred Stock Series B (B)	1,623 shs.	04/28/09	162,269	214,455
Common Stock (B)	723 shs.	04/28/09	723	95,579
			1,059,738	1,322,534

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

September 30, 2011

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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 (D)	\$ 1,054,025	05/18/05	\$ 964,526	\$ 632,415
Preferred Stock (B)	33 shs.	10/16/09	33,224	-
Common Stock (B)	263 shs.	05/18/05	263,298	-
Warrant, exercisable until 2012, to purchase common stock at \$.01 per share (B)	69 shs.	05/18/05	59,362 1,320,410	- 632,415
Associated Diversified Services				
A provider of routine maintenance and repair services primarily to electric utility companies predominantly on electric power distribution lines.				
10% Senior Secured Term Note due 2016 (C)	\$ 292,000	09/30/10	285,627	297,005
13% Senior Subordinated Note due 2017	\$ 332,000	09/30/10	299,288	335,320
Limited Liability Company Unit Class B (B)	36,000 uts.	09/30/10	36,000	30,985
Limited Liability Company Unit Class B OID (B)	27,520 uts.	09/30/10	27,520 648,435	23,686 686,996
Barcodes Group, Inc.				
A distributor and reseller of automatic identification and data capture equipment, including mobile computers, scanners, point-of-sale systems, labels, and accessories.				
13.5% Senior Subordinated Note due 2016	\$ 645,151	07/27/10	617,397	658,054
Preferred Stock (B)	13 shs.	07/27/10	131,496	131,500
Common Stock Class A (B)	44 shs.	07/27/10	437	49,903
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	8 shs.	07/27/10	76 749,406	8,660 848,117
Bravo Sports Holding Corporation				

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

12.5% Senior Subordinated Note due 2014	\$ 1,207,902	06/30/06	1,173,691	1,169,786
Preferred Stock Class A (B)	465 shs.	06/30/06	141,946	32,045
Common Stock (B)	1 sh.	06/30/06	152	-
Warrant, exercisable until 2014, to purchase common stock at \$.01 per share (B)	164 shs.	06/30/06	48,760	11,262
			1,364,549	1,213,093

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) MassMutual Participation Investors
September 30, 2011
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
C D N T, Inc.				
A value-added converter and distributor of specialty pressure sensitive adhesives, foams, films, and foils.				
10.5% Senior Secured Term Note due 2014	\$ 294,986	08/07/08	\$ 291,727	\$ 294,986
12.5% Senior Subordinated Note due 2015	\$ 429,070	08/07/08	401,290	429,070
Common Stock (B)	41,860 shs.	08/07/08	41,860	36,560
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	32,914 shs.	08/07/08	32,965 767,842	28,747 789,363
Capital Specialty Plastics, Inc.				
A producer of desiccant strips used for packaging pharmaceutical products.				
Common Stock (B)	55 shs.	*	252	585,849
*12/30/97 and 05/29/99.				