

GSE SYSTEMS INC  
Form SC 13G/A  
March 27, 2009

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

SCHEDULE 13G

(Under the Securities Exchange Act of 1934)  
(Amendment No.2)\*

GSE Systems, Inc.

-----  
(Name of Issuer)

Common Stock

-----  
(Title of Class of Securities)

36227K106

-----  
(Cusip Number)

February 28, 2009

\_\_\_\_\_  
(Date of event which requires filing of this statement)

Check the appropriate box to designate the rule pursuant  
to which this schedule is filed:

- Rule 13d-1 (b) Babson Capital Management LLC
- Rule 13d-1 (c) Cobbs Wharf Master Fund, L.P.
- Rule 13d-1 (d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing of this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act, but shall be subject to all other provisions of the Act (however, see the Notes.)

[Continued on the following page(s)]  
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- 1. Name of reporting person  
S.S. or I.R.S. identification no. of above person

Babson Capital Management LLC  
51-0504477

- 2. Check the appropriate box if a member of a group

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(a) ( )  
(b) ( X )

-----  
3. SEC use only  
-----

4. Citizenship or place of organization  
Delaware  
-----

5. Sole Voting Power

0  
-----

Number of  
shares  
beneficially  
owned by  
each  
Reporting  
person  
with

6. Shared Voting Power

1,600,000  
-----

7. Sole Dispositive Power

0  
-----

8. Shared Dispositive Power  
1,600,000  
-----

9. Aggregate amount beneficially owned by each reporting person

1,600,000 (1)  
-----

10. Check if the aggregate amount in row (9) excludes certain shares\*

-----  
11. Percent of class represented by amount in row 9  
10.02% (2)  
-----

12. Type of Reporting person  
IA

1) Babson Capital Management LLC (Babson Capital) serves as investment adviser to Cobbs Wharf Master Fund, L.P., a Cayman Islands limited partnership, which is the registered holder of 1,600,000 of the shares reported as beneficially owned by Babson Capital.

(2) Based on 15,965,346 shares of GSE Systems, Inc. common stock outstanding as reported in the issuer's Quarterly Report on Form 10-Q, for the period ending September 30, 2008.

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-----  
1. Name of reporting person  
S.S. or I.R.S. identification no. of above person

Cobbs Wharf Master Fund, L. P.  
-----

2. Check the appropriate box if a member of a group  
(a) ( )  
(b) ( X )  
-----

3. SEC use only  
-----

4. Citizenship or place of organization  
Grand Cayman

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-----	
	5. Sole Voting Power
	0
Number of	-----
shares	6. Shared Voting Power
beneficially	1,600,000
owned by	-----
each	7. Sole Dispositive Power
Reporting	0
person	-----
with	
8. Shared Dispositive Power	1,600,000
-----	
9. Aggregate amount beneficially owned by each reporting person	1,600,000 (1)
-----	
10. Check if the aggregate amount in row (9) excludes certain shares*	
-----	
11. Percent of class represented by amount in row 9	10.02% (2)
-----	
12. Type of Reporting person	PN

1) Babson Capital Management LLC (Babson Capital) serves as investment adviser to Cobbs Wharf Master Fund, L.P., a Cayman Islands limited partnership, which is the registered holder of 1,600,000 of the shares reported as beneficially owned by Babson Capital.

(2) Based on 15,965,346 shares of GSE Systems, Inc. common stock outstanding as reported in the issuer's Quarterly Report on Form 10-Q, for the period ending September 30, 2008.

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SCHEDULE 13G

ITEM 1(A): NAME OF ISSUER:

GSE Systems, Inc.

1(B): ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES:

1332 Londontown Blvd., Suite 200  
Sykesville, MD 21784

ITEM 2(A): NAME OF PERSON FILING:

- (i) Babson Capital Management LLC (Babson) as investment adviser.
- (ii) Cobbs Wharf Master Fund, L.P. (Cobbs Wharf)

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ITEM 2(B): ADDRESS OF PRINCIPAL BUSINESS OFFICE:

Babson Capital Management LLC  
470 Atlantic Avenue  
Boston, MA 02210-2208

Cobbs Wharf Master Fund, L.P.  
470 Atlantic Avenue  
Boston, MA 02210-2208

ITEM 2(C): CITIZENSHIP:

See Item 4 of Cover Page

ITEM 2(D): TITLE OF CLASS OF SECURITIES:

See Cover Page

ITEM 2(E): CUSIP NUMBER:

See Cover Page

ITEM 3: TYPE OF REPORTING PERSON:

This statement is filed pursuant to Rule 13d-1(b) (1) (ii) (E) for Babson Capital.

ITEM 4: OWNERSHIP:

See each cover page.

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ITEM 5: OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS:

Not Applicable

ITEM 6: OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON:

Cobbs Wharf Master Fund, L. P. 10.02%

ITEM 7: IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY:

Not Applicable

ITEM 8: IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP:

Not Applicable

ITEM 9: NOTICE OF DISSOLUTION OF GROUP:

Not Applicable

ITEM 10: CERTIFICATION:

BABSON CAPITAL MANAGEMENT LLC CERTIFICATION:

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By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having such purpose or effect.

SIGNATURE:

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: March 27, 2009

Babson Capital Management LLC  
Signature: // James Masur //  
Name/Title: James Masur  
Chief Compliance Officer  
Managing Director

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COBBS WHARF MASTER FUND, L.P.CERTIFICATION:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having such purpose or effect.

SIGNATURE:

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: March 27, 2009

Cobbs Wharf Master Fund, L.P.  
By: Cobbs Wharf Management, LLC  
Its General Partner

By: // James Masur //  
Name: James Masur  
Title: Chief Compliance Officer  
Managing Director

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JOINT FILING AGREEMENT

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This will confirm the agreement by and among all the undersigned that the amended Schedule 13G filed on or about this date and any future amendments thereto with respect to the beneficial ownership by the undersigned of common shares of GSE Systems, Inc. is being filed on behalf of each of the undersigned in accordance with Rule 13d-1(k)(1). This agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

March 27, 2009

-----  
Date

Babson Capital Management LLC

\_\_\_\_\_  
By: // James Masur //  
Name: James Masur  
Title: Chief Compliance Officer  
Managing Director

Cobbs Wharf Master Fund, L.P.

\_\_\_\_\_  
By: Cobbs Wharf Management, LLC  
Its General Partner

By: // James Masur //  
Name: James Masur  
Title: Chief Compliance Officer  
Managing Director

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Securities and Exchange Commission  
Operations Center  
Attn: Stop 0-7  
6432 General Green Way  
Alexandria, VA 22312-2413

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Re: SCHEDULE 13G ON BEHALF OF GSE SYSTEMS, INC. FOR THE MONTH  
ENDING FEBRUARY 28, 2009

Dear Sir or Madam:

Babson Capital Management LLC and Cobbs Wharf Master Fund, L.P. are filing today an amended Schedule 13G through the EDGAR system as required by Section 240.13d-1(b) and Section 240.13d-1(c) to reflect beneficial ownership of greater than 10% of the outstanding stock of the above-mentioned issuer.

Please note that the shares as to which this Schedule is filed are owned by investment advisory clients of Babson Capital Management LLC, which may be deemed a beneficial owner of the shares only by virtue of the direct or indirect investment discretion it possesses pursuant to the provisions of investment advisory agreements with such clients.

A copy of the Schedule 13G is being sent to the issuer as required by Rule 13d-7.

Comments or questions concerning the above may be directed to the undersigned at (617)761-3834.

Sincerely,

// James Masur //  
James Masur  
Chief Compliance Officer  
Managing Director