

FORM ADV Part 2A Firm Brochure as of March 31, 2014

Babson Capital Finance LLC

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This brochure provides information about the qualifications and business practices of Babson Capital Finance LLC. If you have any questions about the contents of this brochure, please contact us at (617) 761-3731 or at BabsonCapitalFinanceADV@babsoncapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Babson Capital Finance LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Babson Capital Finance LLC’s registration with the SEC as an investment adviser does not imply that Babson Capital Finance LLC possesses any certain level of skill or training.

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Applicant: Babson Capital Finance LLC

SEC File Number: 801-78035

Date: March 31, 2014



Item 2 – Material Changes

This March 31, 2014 Form ADV Part 2A Firm Brochure amendment contains material changes from Babson Capital Finance LLC's last annual amendment, which was filed May 1, 2013. Material changes include:

- Item 4: Updated Advisory Business description
- Item 6: Updated Potential Conflicts of Interest
- Item 8: New Material Risks added
- Item 10: Updated Financial Industry Activities and Affiliations
- Item 11: Updated Code of Ethics, Personal Trading, Participation or Interest in Client Transactions and Insider Trading
- Item 17: Updated Proxy Voting

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Item 4 – Advisory Business

Babson Capital Finance LLC (“Babson Capital Finance”) was formed in 2012 and is a wholly-owned subsidiary of Babson Capital Management LLC (“Babson Capital”), which is an indirect, wholly-owned subsidiary of Massachusetts Mutual Life Insurance Company (“MassMutual”) and a member of the MassMutual Financial Group. The MassMutual Financial Group is a family of financial services companies providing investment management services and individual protection insurance to clients worldwide. In the financial services space, MassMutual and Babson Capital have a long history making and managing private debt and equity investments on a global basis for their own accounts as well as on behalf of third party clients.

It is anticipated that Babson Capital Finance will employ certain members of Babson Capital’s Middle Market Loan and Mezzanine and Private Equity groups (the “Investment Team”). The Investment Team consists of dedicated professionals that have deep experience in various asset classes, including senior secured middle market loans, unitranche debt, project financings, mezzanine securities and private equity. Over the past 20 years, the Investment Team has invested over \$13 billion across these asset classes predominantly in the middle and lower middle market in the U.S. Over this time period, the Investment Team has developed proprietary investment models and strategies as well as built extensive and differentiated investment sourcing relationships. This length and breadth of experience and relationships are the key tenets that will support Babson Capital Finance’s investment and portfolio management capabilities.

Babson Capital Finance will provide a broad range of investment advisory and management services to sophisticated investors. It is anticipated that those investors will include closed-end investment companies registered under the Investment Company Act of 1940, as amended (the “1940 Act”), a proposed closed-end management investment company that will elect to be treated as a business development company under the 1940 Act and various private investment funds. It is also anticipated that, in due course, Babson Capital Finance will manage accounts for institutional investors such as pension plans, family offices, endowments, foundations, government entities and agencies, insurance companies, collateralized loan obligations and banks. Babson Capital Finance also expects to develop and manage investment vehicles that facilitate investment in specific or multiple portfolio companies and other assets of private investment funds and accounts. Babson Capital Finance intends to purchase and warehouse investments and may utilize subsidiary and/or affiliate entities for the purpose of holding these investments. Babson Capital Finance will also provide investment advisory and management services to its ultimate parent company, MassMutual, and certain of MassMutual’s subsidiaries, including Babson Capital, and affiliates.

Babson Capital Finance intends to manage highly diverse corporate fixed income and private equity portfolios and invest in a variety of instruments, industries, types of portfolios, credit qualities, maturities and financing arrangements. Its capabilities will include investing in non-investment grade assets such as middle market loans, project financings, mezzanine and private equity securities and limited partnerships. It is anticipated that Babson Capital Finance will focus on U.S. based investments. In addition to carrying out its investment advisory services for clients, Babson Capital Finance will also manage and invest its own assets from internal capital.

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Babson Capital Finance intends to begin providing investment advisory services to clients with respect to investments in securities of U.S. middle market companies (defined generally as having EBITDA of less than \$50 million). It is expected that initial investments will consist of U.S. middle market loans, project financings, mezzanine securities, unitranche debt, privately issued equity and equity in Babson Capital Finance-managed collateralized loan obligations ("CLOs"). Babson Capital Finance may also provide investment advice regarding the purchase and sale of interests in partnerships, limited liability companies and other private funds (including private equity funds and other structured funds) with various investment strategies, the underlying assets of which include a broad range of debt and equity securities, as well as derivatives and other instruments.

In addition to the investments mentioned elsewhere in this Part 2A, Babson Capital Finance may invest in any security or financial instrument consistent with client investment policies and restrictions. Examples of the other types of securities or instruments in which Babson Capital Finance may invest include, without limitation, the following: asset-backed securities, collateralized debt obligations ("CDOs"), equity in CDO or CLO funds, emerging market debt instruments, fixed income instruments, agency or corporate securities, money market instruments, derivatives such as options, caps/floors, interest rate swaps, other swap types (e.g., credit default and total return swaps) and futures, publicly traded common and preferred stocks, warrants and convertible securities.

It is anticipated that Babson Capital Finance will provide investment advisory and management services to private investment funds or other investment or finance entities. Management services for these accounts may include Babson Capital Finance serving as adviser, sub-adviser, portfolio manager or co-manager. Fees and other terms would be negotiated on a fund-by-fund basis.

Babson Capital Finance also intends to provide investment management and advisory services in standard and customized specific account formats. These services will be provided pursuant to written investment management agreements between Babson Capital Finance and the client under which Babson Capital Finance will agree to manage the client's funds in accordance with client-mandated investment objectives and applicable rules and regulations. Babson Capital Finance will tailor services based on the client's or prospective client's individual needs. For example, depending on the client's individual needs, Babson Capital Finance may create a separately managed account for the client's investment and will allow the client to provide specific investment objectives and guidelines for that account. Babson Capital Finance may also allow the client to impose specific restrictions on investments, including types of investments within a separately managed account. Babson Capital Finance is not expected to participate in any wrap fee programs.

Assets Under Management:

Babson Capital Finance does not yet manage any assets.

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Item 5 – Fees and Compensation

Advisory Fees:

Babson Capital Finance does not currently manage any assets and accordingly does not have any prescribed fee schedules.

I. Private Investment Funds

It is anticipated that Babson Capital Finance will provide investment advisory and management services to private investment funds or other investment or finance entities. Management services for these accounts may include Babson Capital Finance serving as adviser, sub-adviser, portfolio manager or co-manager. Fees and other terms would be negotiated on a fund-by-fund basis. Fees for each private investment fund managed by Babson Capital Finance would be disclosed in the offering materials for each private investment fund.

II. Investment Funds

It is anticipated that Babson Capital Finance will serve as investment adviser or sub-adviser to certain open-end and closed-end investment companies registered with the SEC under the 1940 Act. Complete information concerning each SEC-registered investment company, including advisory and sub-advisory fees, minimum account requirements (if any) and termination provisions, will be disclosed in the prospectus and/or statement of additional information of that SEC-registered fund.

III. Institutional Separate Accounts

It is anticipated that Babson Capital Finance will offer investment advice in standard and customized specific account formats for institutional investors. Fees for these accounts are expected to be negotiated on a case-by-case basis, but generally will be based on the assets being managed by Babson Capital Finance, payable on a quarterly basis in arrears. Fees for these accounts will be billed by invoice by Babson Capital Finance directly to the vehicle set up for the mandate (or, if none, to the client). Where a third-party administrator has been appointed in relation to an account, it will calculate and deduct fees in accordance with the relevant investment advisory agreement. Like fees, other terms of the investment advisory agreement, such as termination and notice requirements, will be negotiated on a case-by-case basis.

It is anticipated that clients of Babson Capital Finance may enter into agreements with other service providers such as custodians or administrators, and such service providers may charge the clients additional fees. In addition, Babson Capital Finance and Babson Capital will enter into a services agreement whereby Babson Capital will provide staff (including investment professionals), trading-related infrastructure and services, office space and certain administrative services to Babson Capital Finance (including, but not limited to, financial accounting and technology services). It is expected that investors in private funds or registered funds managed or sub-advised by Babson Capital Finance will pay additional fund related fees. Clients may also pay certain brokerage and transaction fees in connection with investment

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activity in their portfolios. For a discussion of these brokerage and transaction fees, please refer to Item 12 – Brokerage Practices.

IV. Affiliate Accounts

It is anticipated that Babson Capital Finance will manage certain investment portfolios of its ultimate parent company, MassMutual, as well as Babson Capital and other affiliated companies, on a direct or sub-advisory basis. Babson Capital Finance will charge asset based fees in relation to those accounts.

Babson Capital Finance does not have any arrangements whereby it or its supervised persons are paid for the sale of securities or other products.

Item 6 – Performance-Based Fees and Side-By-Side Management

Babson Capital Finance does not currently manage any assets and accordingly does not receive any advisory fees (including performance-based fees). However, it is anticipated that Babson Capital Finance may receive an incentive fee relating to the performance of certain private investment funds that it manages or sub-advises, such as private debt and equity funds, and separately managed accounts. In addition, any or all of Babson Capital Finance, Babson Capital and their affiliates may have an ownership or economic interest in certain private investment funds managed by Babson Capital Finance. Further, Babson Capital Finance will be managing and investing not only the assets of its advisory clients but also its own internal assets.

In order to attract and retain investment professionals and meet the expectations of investors in private investment funds, Babson Capital Finance has determined that it is appropriate, in certain circumstances, to permit its investment professionals, associates or officers to have an ownership or economic interest in certain private investment funds it manages or sub-advises. Such an ownership or economic interest may include both the right to share in any gains or profits realized by Babson Capital Finance in relation to its own assets and/or the right to participate in incentive fees payable to Babson Capital Finance with respect to private investment funds it manages or sub-advises or those managed by an affiliate of Babson Capital Finance.

Babson Capital Finance recognizes that such arrangements may create potential conflicts of interest. To address these conflicts, Babson Capital Finance has adopted a Side by Side Management of Private Investment Funds and Other Advisory Accounts Policy to identify and describe the manner in which Babson Capital Finance addresses the conflicts of interest that can arise when Babson Capital Finance, Babson Capital and/or their affiliates or investment professionals have an ownership or economic interest in a private investment fund or account managed by Babson Capital Finance (or in Babson Capital Finance itself) or Babson Capital, including through a performance fee, and may potentially have an incentive to favor the private investment fund or account (or investments made for Babson Capital Finance's own account) over Babson Capital Finance's other advisory clients.

In addition, there may be circumstances where separate investment teams at Babson Capital Finance successfully tender bids with respect to different parts of the capital structure of the

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same proposed financing transaction (e.g., the senior loans investment team wins a bid to provide senior lending and the mezzanine finance investment team wins a bid to provide mezzanine financing). In all such cases, determinations as to participation in the financing transaction, which may include the determination that multiple Babson Capital Finance investment teams participate in the same transaction, are made in accordance with Babson Capital Finance's Investment Allocation Policy, which is summarized below in Item 12 – Brokerage Practices, Investment Aggregation.

Potential Conflicts of Interest with Clients:

Investment Allocations: Allocation of aggregate investments, particularly investments that are only partially filled as a result of the limited availability of desired securities, could be viewed as creating a potential conflict of interest, as Babson Capital Finance or its investment professionals may have an incentive to allocate securities that are expected to increase in value to certain clients, such as private investment funds that provide Babson Capital Finance with performance-based compensation fees, or in which Babson Capital Finance, its affiliates and/or its investment professionals have an economic or ownership interest. In order to address this potential conflict of interest, all allocations of investment opportunities and allocations of aggregated investments for client accounts are required to be made in accordance with Babson Capital Finance's Investment Allocation Policy, which is summarized below in Item 12 – Brokerage Practices, Investment Aggregation.

Cross Trading: Cross trades amongst clients can be effected in a manner perceived to favor one client over another. Babson Capital Finance could be viewed, as crossing trades that are expected to increase the market value of a security from a client account to a private investment fund in order to benefit itself as a result of the ownership or economic interest of Babson Capital Finance, its affiliates and/or its investment professionals in the private investment fund. In order to address this potential conflict of interest, cross trades involving a client account and a private investment fund, other advisory clients and/or Babson Capital Finance's proprietary account(s) are required to comply with Babson Capital Finance's Transactions with Affiliates Policy, which ensures any affiliated transaction is consistent with all applicable regulatory requirements governing such transactions and with Babson Capital Finance's fiduciary obligations to clients involved in any such transactions.

Allocation of Time and Resources; Patterns of Investing: The head(s) of any investment group will be responsible for periodically monitoring the performance, portfolio composition and investing activity, as appropriate, of all accounts managed by each investment professional in his or her respective investment group who manages Babson Capital Finance's proprietary assets or private investment funds in which Babson Capital Finance, its affiliates and/or the investment professional have an ownership or economic interest to ensure that there is no pattern suggesting that the investment professional (i) inappropriately favored Babson Capital Finance's own account(s) or such private investment fund(s) with respect to the time or resources expended in managing the account(s) or fund(s) or the allocation of investment opportunities or (ii) purchased or sold securities in other advisory accounts for the purpose of benefiting positions held by Babson Capital Finance's own account(s) or the private investment fund(s).

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Work-outs: There may be circumstances in which Babson Capital Finance attempts to “workout” investments made in a troubled company either in an out-of-court restructuring or a formal bankruptcy court proceeding. These investments may be held (i) directly by Babson Capital Finance’s advisory clients, which may include private investment funds, investment companies registered with the SEC under the 1940 Act, or advisory separately managed accounts, (ii) indirectly through an equity investment in a private investment fund managed by a third party, or (iii) directly by Babson Capital Finance’s and/or an affiliate’s proprietary account(s). These investments may be made directly as senior secured loans, mezzanine investments or equity investments, or indirectly as equity investments into private investment funds that have made investment into the troubled company.

In such circumstances, potential conflicts of interest can arise when advisory clients, Babson Capital Finance and/or affiliates of Babson Capital Finance have made investments in different parts of the capital structure of the same troubled company (e.g., MassMutual has invested in a third party managed private investment fund that controls the equity of the troubled company, a Babson Capital Finance managed private investment fund has invested in mezzanine securities of the troubled company and a Babson Capital Finance advisory separately managed account has directly made senior secured loans to the troubled company). Various Babson Capital Finance advisory clients (or Babson Capital Finance and its affiliates) may have different interests in the results of the “work-out” of the troubled company and, in the case where Babson Capital Finance holds senior debt with respect to such investment, such advisory clients may have interests that may conflict with those of Babson Capital Finance. The advisory clients (or Babson Capital Finance’s proprietary account) that hold investments that are senior in priority may have the right (i) to pursue the assets of the troubled company to fully satisfy the payment on such investments and (ii) to seek payment on their investments before any payments may be made on investments in more junior parts of the capital structure (including those held by other Babson Capital Finance advisory clients). In such situations, as a fiduciary, Babson Capital Finance would have an obligation to pursue such remedies on behalf of the client. As a result, advisory clients that hold investments in the same troubled company that are more junior in the capital structure may not receive payments from the troubled company to completely satisfy claims for their investments and may suffer a loss. Babson Capital Finance recognizes that conflicts may arise under such circumstances and will endeavor to treat all clients fairly and equitably.

Potential Conflicts of Interest with Private Investment Fund Investors:

Potential conflicts of interest can exist between an investment professional and other private investment fund investors as a result of the investment professional’s ownership or economic interest in the private investment fund. For example, as discussed above, there may be circumstances where both a Babson Capital Finance proprietary account and a Babson Capital Finance advisory account hold investments in the same company. To the extent these investments are in different parts of the capital structure of the company, potential conflicts of interest can arise when Babson Capital Finance holds interests that are more senior in the capital structure than interests held by its advisory clients. The following policies are designed to address these potential conflicts of interest.

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Personal Securities Transactions and Trading in Private Investment Fund Securities: All investment professionals are required to comply with Babson Capital Finance's Code of Ethics Policy, which is summarized below in Item 11 – Code of Ethics, and Babson Capital Finance's Employee Co-Investment Policy, which ensures that any co-investment by a Babson Capital Finance employee is consistent with Babson Capital Finance's Code of Ethics Policy.

Work-outs: Investment professionals involved in attempts made on behalf of Babson Capital Finance to "work-out" a troubled investment held in a private investment fund through an out-of-court restructuring or a formal bankruptcy court proceeding held (i) directly by Babson Capital Finance's advisory clients, which may include private investment funds, investment companies registered with the SEC under the 1940 Act, or advisory separately managed accounts, (ii) indirectly through an equity investment in a private investment fund managed by a third party, or (iii) directly by Babson Capital Finance's and/or an affiliate's proprietary account(s), must:

- Be disinterested (i.e., the investment professional must have no ownership or economic interest in the private investment fund holding the troubled investment); or
- Disclose ownership or economic interest to management of the respective investment group prior to engaging in the work-out. Management of the respective investment group will determine whether a potential conflict of interest exists between the investment professional and the private investment fund's other investors. If the investment professional's interest conflicts with those of the private investment fund's investors, management of the respective investment group will appoint another investment professional to lead the work-out effort.

Monitoring Responsibilities: Management of Babson Capital Finance is responsible for periodically monitoring the performance, portfolio composition and trading activity of all client accounts. It is also the responsibility of management to pay particular attention to client accounts where investment professionals who manage private investment funds or accounts, which Babson Capital Finance, its affiliates and/or the investment professional, have an ownership or economic interest to ensure that there is no pattern suggesting that the investment professional (i) inappropriately favored such private investment fund(s) with respect to the time and resources expended in managing such fund(s) or the allocation of investment opportunities; or (ii) purchased or sold securities in other client accounts for the purpose of benefiting the positions held by the private investment fund. If the management of an investment group has an ownership or economic interest in a private investment fund, the monitoring will be conducted by a designated Babson Capital Finance officer with no ownership or economic interest in the private investment fund.

This Item 6 is not exhaustive in identifying all the potential conflicts of interest that may arise when Babson Capital Finance, its affiliates and/or investment professionals have an ownership or economic interest in a private investment fund or account for which they are responsible. Any potential issues identified as a result of such monitoring should be brought to the immediate attention of the Chief Compliance Officer.

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Item 7 – Types of Clients

Babson Capital Finance will provide a broad range of investment advisory and management services to sophisticated investors. Initially, it is anticipated that those investors will include closed-end investment companies registered under the 1940 Act, a proposed closed-end investment company that will elect to be treated as a business development company under the 1940 Act and various private investment funds, and, in due course, will include managed accounts for institutional investors such as pension plans, family offices, endowments, foundations, government entities and agencies, insurance companies, collateralized loan obligations and banks. Babson Capital Finance will also provide investment advisory and management services to its ultimate parent company, MassMutual, and certain of MassMutual's subsidiaries, including Babson Capital, and affiliates.

It is anticipated that Babson Capital Finance's different types of institutional investment accounts would have minimum investment requirements. In general, for separate or individually-managed institutional accounts, the minimum investment requirement is expected to be approximately \$75 million. The minimum investment requirement for commingled vehicles will be determined when the vehicles are formed. Babson Capital Finance is likely to retain the ability to waive the minimum investment requirement in its sole discretion.

Customer Identification Program Notice:

To help fight the funding of terrorism and money laundering activities, U.S. federal law requires financial institutions, including Babson Capital Finance, to obtain, verify and record information that identifies each person who opens an account on behalf of an investor. This means that Babson Capital Finance may request from the client its name, address, date of birth, social security or other government issued identification number and other information that will allow Babson Capital Finance to identify the client. Babson Capital Finance may also ask for identifying documents so that it can verify the client's identity and may also verify the client's identity through non-documentary means, such as through the comparison of the information provided by the client with information provided by public databases or other sources. If the client refuses to provide the information requested, Babson Capital Finance may not be able to open an account for the client.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis:

Babson Capital Finance uses economic, fundamental and technical analyses. Economic analysis emphasizes ongoing and historical review of economic and financial data that impact short, intermediate and long-term macro trends and interest rates. Fundamental analysis examines qualitative and quantitative factors to determine an issuer's current financial strength and expected future performance. Factors examined often include: historic and projected company financial results, credit metrics, capital structure, management assessment, financial discipline, competitive forces, economic analysis and life cycle analysis. Technical analysis involves a periodic analysis of yields relative to other asset classes and other indicators as deemed

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appropriate in the marketplace. Quantitative analysis involves a periodic analysis of the risk and return characteristics of securities and portfolios. Babson Capital Finance may use proprietary models as well as models developed by third parties to enhance its analysis and to augment its risk analytic and performance attribution systems.

Sources of Information:

Babson Capital Finance, particularly with respect to loan and private equity investments, often relies on information supplied directly by the issuers or agents. Babson Capital Finance may also use media sources including, but not limited to, Bloomberg, ILX (real-time market data), FactSet, Thomson One / Street Events, Assay Research, Accounting Technique Analysis, Lipper, LexisNexis, Factiva, Morningstar, Credit Sights, Value Line, sell-side research, DBRS, SEDAR, CNN Money, Google Finance, Yahoo Finance, Private Placement Monitor, Private Placement Newsletter, Wall Street Journal, A.M. Best, TradeWeb, BondEdge, Intex, KMV, Capital IQ, Compustat and Debtwire. Babson Capital Finance may also use services such as Moody's Global Credit Research (including Global Corporate, Global Banking, Sovereign and CDO Research), Moody's Municipal Credit Research, S&P's Ratings Direct Global Issuers, S&P's Ratings Direct Public Finance and Structured Finance, S&P's Commercial Paper Ratings Guide, S&P's Leveraged Commentary and Data, Fitch Global Corporates and CMBS, Fitch Ratings, Thomson Financial's Municipal Market Data, Barclay's Live, Markit Hub and Loan Pricing Corporation.

Investment Strategies:

Babson Capital Finance's private finance strategies include investing in senior secured leveraged loans, project financings, lease finance, mezzanine, equity and commitments to private equity funds. Babson Capital Finance's strategy will be to target these asset classes, which generally have constrained supply, are difficult for investors to access directly and have a favorable supply/demand imbalance. Babson Capital Finance's investment and portfolio management approach will be built on sound fundamental credit analyses where each investment is unique and separately negotiated. Babson Capital Finance expects to seek to create well diversified portfolios, thus limiting exposure to any particular company, industry or geography.

Material Risks:

Concentration of Holdings: It is possible that investments selected may be concentrated in a particular market or industry, or in a limited number or type of security. The limited diversity could expose a portfolio to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

Credit Risk: Investments in mezzanine debt and private equity securities may involve risk exposure tied to the credit risk of the obligor on the purchased loans and securities, which is determined by the obligor's ability to make required interest and principal payments.

Default Risk: The market value of mezzanine debt or private equity securities will generally fluctuate with, among other things, general economic conditions, world political events,

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developments or trends in any particular industry, the conditions of financial markets and the financial condition of the obligors. Therefore, if an event of default occurs with respect to the mezzanine debt or private equity securities, there can be no assurance that the proceeds of any sale of the securities will be sufficient to pay in full amounts payable, expenses and the amount of principal and interest owed with respect to such mezzanine debt and private equity securities.

Interest Rate Risk: Interest rate changes may affect the value of a mezzanine debt or private equity security indirectly (especially in the case of fixed rate obligations) or directly (especially in the case of securities whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate security and falling interest rates will have a positive effect on price. Adjustable rate securities also react to interest rate changes in a similar manner although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in securities with uncertain payment or prepayment schedules.

Investments are Subordinate: Mezzanine debt and private equity securities are generally unsecured and subordinate to certain other obligations of a company (in respect of payments and the right to share in the proceeds of the enforcement of security interests, mortgages and other liens). A mezzanine or other private equity security lender's rights and remedies are generally limited and can be delayed pursuant to contractual agreements with a senior lender.

Nature of Private Securities: Investing in private securities includes a possibility that adverse changes in the general economic conditions of a company may adversely affect a company's ability to pay principal and interest on its debt obligations. Also, companies are leveraged and specific developments, such as reduced cash flow from operations or the inability to refinance debt at maturity, may adversely affect a company's ability to meet its debt service obligations.

Prepayment Risk: The frequency at which prepayments occur are affected by a variety of factors including interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, prepayments occur on fixed rate obligations when prevailing interest rates fall below coupon rates and on floating rate obligations when spreads narrow. There are two possible adverse effects of prepayments: (i) investments may experience outright losses and (ii) there may be an inability to reinvest the proceeds of prepayments into investments with the same or higher yields as the prepaid investments.

Restricted Investments; Illiquidity of Investments: Senior and mezzanine debt and private equity investments consist of private, illiquid securities. There is often no readily available after-market to sell senior or mezzanine debt or private equity investments, and Babson Capital Finance will likely need to rely on underlying owners of portfolio companies to refinance or to sell a company for realizations. Such investments may also be subject to legal or other restrictions on transfer. The market price, if any, for such assets tends to be volatile and Babson Capital Finance may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and/or illiquid securities often requires more time and results in higher broker charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

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Small Capitalization Companies/Limited Operating History: From time to time, a significant portion of assets may be invested in securities of small capitalization companies and recently organized companies. Small capitalization companies generally are not as well known to the investing public and have less of an investor following than larger capitalization companies. Consequently, small capitalization companies are often overlooked by investors or are undervalued in relation to their earnings power. These relative inefficiencies in the marketplace may provide greater opportunities for long-term capital growth. Historically, however, such securities have been more volatile in price than those of larger capitalized, more established companies included in the S&P 500 Index or FTSE 100 Index. The securities of small capitalization and recently organized companies pose greater investment risks because such companies may have limited product lines, distribution channels and financing and managerial resources. Further, there is often less publicly available information concerning such companies than for larger, more established businesses. These securities are often traded over-the-counter or on regional exchanges and may not be traded in the volumes typical on a national securities exchange. Consequently, it may be necessary to dispose of such securities or cover a short position over a longer (and potentially less favorable) period of time than is necessary to dispose of or cover a short position with respect to the securities of larger, more established companies. Investments in small capitalization companies may also be more difficult to value than other types of securities because of the foregoing considerations as well as lower trading volume. Investments in companies with limited operating histories are more speculative and entail greater risk than do investments in companies with an established operating record. Additionally, transaction costs for these types of investments are often higher than those of larger capitalization companies.

Risk of Loss:

The risks described above are not a complete list of all risks associated with the described investment strategies. Investing in securities of any type is speculative and can involve a high degree of risk. Investing in securities involves the risk of loss, sometimes of an entire investment, that clients should be prepared to bear.

Item 9 – Disciplinary Information

Item 9 is not applicable – Babson Capital Finance does not have any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Babson Capital Finance's advisory business or the integrity of Babson Capital Finance's management.

Item 10 – Other Financial Industry Activities and Affiliations

Babson Capital Finance is a wholly-owned subsidiary of Babson Capital and is an SEC-registered investment adviser. Babson Capital is an indirect, wholly-owned subsidiary of MassMutual and an SEC-registered investment adviser. Babson Capital is also registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator and commodity trading advisor and is a member of the National Futures Association. Certain Babson Capital employees are registered as principals, branch officer managers and associated persons with the CFTC. Babson Capital relies on the International Adviser exemption with the

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Ontario Securities Commission, the Quebec Financial Markets Authority, the British Columbia Securities Commission, the Alberta Securities Commission and the Nova Scotia Securities Commission. Babson Capital also holds a California Finance Broker's License from the California Department of Business Oversight.

Babson Capital Finance and Babson Capital will enter into a services agreement whereby Babson Capital will provide staff (including investment professionals), trading-related infrastructure and services, office space and certain administrative services to Babson Capital Finance (including, but not limited to, financial accounting and technology services).

Babson Capital Securities LLC ("Babson Capital Securities") is a wholly-owned subsidiary of Babson Capital and an SEC-registered broker-dealer and member of the Financial Industry Regulatory Authority. Babson Capital Securities also relies on the International Dealer exemption with the Ontario Securities Commission, the Quebec Financial Markets Authority, the British Columbia Securities Commission, the Alberta Securities Commission and the Nova Scotia Securities Commission. Babson Capital Securities acts as a placement agent for private investment funds, including funds sponsored and/or advised by affiliates of Babson Capital Finance, as well as from time to time, unaffiliated third parties. As such, Babson Capital Securities may receive compensation for its placement services, including, but not limited to, placement services related to the offering and sale to Babson Capital Finance clients of private investment funds sponsored and/or advised or sub-advised by Babson Capital Finance, its affiliates or unaffiliated third parties.

Please see response under Item 5 above for a description of the registered open-end and closed-end investment companies and the private investment funds and other investment or finance entities for which Babson Capital Finance may serve as investment adviser or sub-adviser. Affiliates of Babson Capital Finance and their employees may have investments in the investment funds that Babson Capital Finance advises. Employees of Babson Capital Finance and its affiliates may also serve as officers, directors and/or trustees of certain investment funds and other investment or finance entities that will be advised by it or are advised by affiliates of Babson Capital Finance. From time to time employees of Babson Capital Finance or its affiliates may also serve as officers, directors, trustees and/or advisory committee members of (i) certain investment funds and other investment or finance entities that will be advised by Babson Capital Finance or are advised by its affiliates and/or (ii) private companies in which Babson Capital Finance has made a direct or indirect investment or with respect to which otherwise acts to influence control over management.

Babson Capital Finance's ultimate parent company, MassMutual, is a mutual life insurance company and an SEC-registered investment adviser. It is anticipated that Babson Capital Finance will enter into sub-advisory agreements with Babson Capital and serve as sub-adviser to Babson Capital in relation to the MassMutual general investment account, certain of MassMutual's life insurance company subsidiaries, investment funds and affiliates and certain registered investment companies managed by Babson Capital. As a result, these affiliate accounts will co-invest jointly and concurrently with Babson Capital Finance's other advisory clients and therefore share in the allocation of investment opportunities. Babson Capital Finance may also act as investment adviser or sub-adviser to certain investment funds in which

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MassMutual or an affiliate has invested and/or for which MassMutual or an affiliate serves as investment manager.

Certain of Babson Capital Finance's investment advisory clients may be solicited to invest in one or more of the private investment funds described under section IV of Item 5 above or established in the future by Babson Capital Finance or an affiliate, or in which Babson Capital Finance or an affiliate has invested. Certain of these private investment funds may be structured as limited partnerships or limited liability companies with respect to which Babson Capital Finance, or an affiliate, serves as general partner, managing member or manager. Additionally, Babson Capital Finance's affiliated broker-dealer, Babson Capital Securities, may solicit clients to invest in funds that are not managed by Babson Capital Finance, but in which Babson Capital Finance or an affiliate has an economic interest and/or holds an ownership interest in the fund's manager.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics:

The following is a summary of Babson Capital Finance's Code of Ethics ("Code of Ethics" or the "Code"), which has been adopted by Babson Capital Finance in compliance with Section 204A of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), Rule 204A-1 under the Advisers Act and Rule 17j-1 under the 1940 Act, as amended. A copy of the Code of Ethics is available to any client or prospective client without charge, upon request.

Personal Trading:

The Code of Ethics relating to Personal Securities Transactions applies to all employees and officers of Babson Capital Finance ("Access Persons") along with any other individual the Chief Compliance Officer deems appropriate. Access Persons include, as a sub-set, investment persons.

While Access Persons may trade in securities that are purchased, held and sold by or on behalf of Babson Capital Finance's advisory clients, such personal transactions are subject to a number of limitations. Generally, Access Persons must receive approval before trading in a security absent an exemption in the Code and are generally subject to a ban on trading in a security on the same day as the purchase or sale of that security by any client account (except for securities exempt as described below) and a ban on short-term trading. In addition, Access Persons must obtain prior approval before participating in certain private placement or initial public offerings. Access Persons are also prohibited from engaging in short sales of securities issued by any entities advised or sub-advised by Babson Capital Finance and are prohibited from joining investment clubs. Access Persons must also generally obtain approval and disclose any possible conflicts of interest prior to serving on the Board of Directors of any business entity or from entering into any other outside business activity.

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Investment persons, including portfolio managers, traders and research analysts, are subject to additional restrictions. For example, investment persons generally cannot personally trade in a security within seven (7) calendar days before or after the purchase or sale of a security by any client account, except for securities exempted from the Code, as defined below.

Access Persons are obligated to make periodic reports to Babson Capital Finance, including an initial holdings report to be provided within ten (10) days of becoming an Access Person and annually thereafter a holdings report containing information that must be current as of a date no more than forty-five (45) days prior to submission. Furthermore, all Access Persons are required to submit detailed quarterly reports covering personal transactions in substantially all securities. Information regarding brokerage accounts held by an Access Person is disclosed in these reports. In general, Babson Capital Finance requires Access Persons to maintain their accounts from amongst a list of approved brokers, subject to certain limited exceptions. Furthermore, Babson Capital Finance requires all Access Persons to have their brokers promptly submit duplicate confirmations, either via electronic feed or paper, of all personal securities transactions to Babson Capital Finance's Compliance Department or designee.

Certain types of securities and transactions are exempted, in whole or in part, from the coverage of the Code of Ethics. For example, preclearance and most reporting requirements would not apply to transactions in direct obligations of the United States government, bankers' acceptances, bankers' certificates of deposit, commercial paper, shares of registered open-end investment companies including exchange-traded funds (although reporting is required for mutual funds advised or sub-advised by Babson Capital Finance or an affiliate unless held through a Babson Capital Finance benefit plan), high quality short-term debt instruments, including repurchase agreements, and securities transactions for an account over which an Access Person has no direct or indirect control. In addition, preclearance requirements would not apply to certain gifts of securities, automatic investment plans, involuntary transactions, pro rata distributions, and other limited defined securities or transactions. Although preclearance for these trades is required, Babson Capital Finance's Code of Ethics permits de minimis purchases or sales (as specified in the Code) of securities issued by companies with a market capitalization of at least \$3 billion USD (the "Large Cap / De Minimis Exception").

Participation or Interest in Client Transactions:

Transactions with Affiliates: Babson Capital Finance or its affiliates, including MassMutual and its affiliates, may from time to time, acting as principal, buy securities or other investments for itself from or sell securities or other investments it owns to its advisory clients. Likewise, Babson Capital Finance may either directly or on behalf of MassMutual, purchase and/or hold securities or other investments that are subsequently sold or transferred to advisory clients. Babson Capital Finance has a conflict of interest in connection with a transaction where it or an affiliate is acting as principal since it may have an incentive to favor itself or its affiliates over its advisory clients in connection with the transaction. To address the conflicts of interest, Babson Capital Finance has adopted a Transactions with Affiliates Policy, which ensures any such transaction is consistent with Babson Capital Finance's fiduciary obligations to act in the best interests of its clients, including its ability to obtain best execution in connection with the transaction, and is in compliance with applicable legal and regulatory requirements.

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Cross Trades: Babson Capital Finance may effect cross-trades on behalf of its advisory clients whereby one advisory client buys securities or other investments from or sells securities or other investments to another advisory client. Babson Capital Finance may also effect cross-trades involving advisory accounts or funds in which it or its affiliates, including MassMutual, and their respective employees, have an ownership interest or for which Babson Capital Finance is entitled to earn a performance or incentive fee. As a result, Babson Capital Finance has a conflict of interest in connection with the cross-trade since it may have an incentive to favor the advisory client or fund in which it or its affiliate has an ownership interest and/or is entitled to a performance or incentive fee. To address the conflicts of interest, Babson Capital Finance has adopted a Transactions with Affiliates Policy, which ensures any such cross-trade is consistent with Babson Capital Finance's fiduciary obligations to act in the best interests of each of its advisory clients, including its ability to obtain best execution for each advisory client in connection with the cross-trade transaction, and is in compliance with applicable legal and regulatory requirements. Babson Capital Finance will not receive a commission or any other remuneration (other than its advisory fee) for effecting cross-trades between advisory clients.

Loan Origination Transactions: While Babson Capital Finance or its affiliates generally do not act as an underwriter or member of a syndicate in connection with a securities offering, Babson Capital Finance or its affiliates (or an unaffiliated entity in which Babson Capital Finance or its affiliates has an ownership interest) may act as an underwriter, originator, agent, or member of a syndicate in connection with investments in mezzanine securities or the origination of senior secured loans or other lending arrangements with borrowers, where such securities and/or loans may be purchased by Babson Capital Finance's advisory clients during or after the original syndication. Babson Capital Finance's advisory clients may purchase such loans directly from Babson Capital Finance or its affiliates (or an unaffiliated entity in which Babson Capital Finance or its affiliates has an ownership interest) or from other members of the lending syndicate. Babson Capital Finance or its affiliates may directly or indirectly receive underwriting, origination, or agent fees in connection with such loan originations. As a result, Babson Capital Finance has a conflict of interest in connection with such loan origination transactions since it has an incentive to base its investment recommendation to its advisory clients on the amount of compensation, underwriting, origination or agent fees it would receive rather than on its advisory clients' best interests. To address the conflict of interest, Babson Capital Finance has adopted a Transactions with Affiliates Policy, which ensures any such transaction is consistent with Babson Capital Finance's fiduciary obligations to act in the best interests of its clients, including its ability to obtain best execution in connection with the transaction, and is in compliance with applicable legal and regulatory requirements.

MML Investors Services, LLC ("MMLISI"), an indirect wholly-owned subsidiary of MassMutual, is an SEC-registered investment adviser and broker-dealer that may act as an introducing broker for the purpose of effecting securities transactions for brokerage customers. While a Babson Capital Finance's advisory client could request that MMLISI effect securities transactions for it that would result in commissions to MMLISI, currently no Babson Capital Finance advisory client directs Babson Capital Finance to effect securities transactions for its account through MMLISI.

Investments by Advisory Clients: Babson Capital Finance may invest client assets in securities or other investments that are also held by (i) Babson Capital Finance or its affiliates, (ii) other

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Babson Capital Finance advisory accounts, (iii) funds or accounts in which Babson Capital Finance or its affiliates or their respective employees have an ownership or economic interest or (iv) employees of Babson Capital Finance or its affiliates. Babson Capital Finance may also, on behalf of its advisory clients, invest in the same or different securities or instruments of issuers in which (i) Babson Capital Finance or its affiliates, (ii) other Babson Capital Finance advisory accounts, (iii) funds or accounts in which Babson Capital Finance, its affiliates, or their respective employees have an ownership or economic interest or (iv) employees of Babson Capital Finance or its affiliates, have an ownership interest as a holder of the debt, equity or other instruments of the issuer. Babson Capital Finance has a conflict of interest in connection with any such transaction since investments by its advisory clients may directly or indirectly benefit Babson Capital Finance and/or its affiliates and employees by potentially increasing the value of the securities or instruments it holds in the issuer. Any investment by Babson Capital Finance on behalf of its advisory clients will be consistent with its fiduciary obligations to act in the best interests of its advisory clients, and otherwise be consistent with such clients' investment objectives and restrictions.

Babson Capital Finance or its affiliates may also recommend that clients invest in registered or unregistered investment companies, including private investment funds such as hedge funds, private equity funds or structured funds (i) advised by Babson Capital Finance or an affiliate, (ii) in which Babson Capital Finance, an affiliate or their respective employees has an ownership or economic interest or (iii) with respect to which Babson Capital Finance or an affiliate has an interest in the entity entitled to receive the fees paid by such funds. Babson Capital Finance has a conflict of interest in connection with any such recommendation since it may have an incentive to base its recommendation to invest in such investment companies or private funds on the fees that Babson Capital Finance or its affiliates would earn as a result of the investment by its advisory clients in the investment companies or private funds. Any recommendation to invest in a Babson Capital Finance advised fund or other investment company will be consistent with Babson Capital Finance's fiduciary obligations to act in the best interests of its advisory clients, consistent with such clients' investment objectives and restrictions. Babson Capital Finance may, in certain limited circumstances, offer to clients that invest in private investment funds that it advises an equity interest in entities that receive advisory fees and carried profits interest from such funds.

Employee Co-Investment: Babson Capital Finance may permit certain of its portfolio managers and other eligible employees to invest in certain private investment funds advised by Babson Capital Finance or its affiliates and/or share in the performance or incentive fees received by Babson Capital Finance from such funds. If the portfolio manager or other eligible employee was responsible for both the portfolio management of the private fund and other Babson Capital Finance advisory accounts, such person would have a conflict of interest in connection with investment decisions since the person may have an incentive to direct the best investment ideas, or to allocate trades, in favor of the fund in which he or she is invested or otherwise entitled to share in the performance or incentive fees received from such fund. To address the conflicts of interest, Babson Capital Finance has adopted a Side by Side Management of Private Investment Funds and Other Advisory Accounts Policy which requires, among others things, that Babson Capital Finance treat each of its advisory clients in a manner consistent with its fiduciary obligations and prohibits Babson Capital Finance from favoring any particular advisory account as a result of the ownership or economic interests of Babson Capital Finance, its affiliates or

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employees, in such advisory account. Any investment by a Babson Capital Finance employee in one of its private funds is also governed by Babson Capital Finance's Employee Co-Investment Policy, which ensures that any co-investment by a Babson Capital Finance employee is consistent with Babson Capital Finance's Code of Ethics, as summarized above.

Management of Multiple Accounts: As noted above, Babson Capital Finance's portfolio managers are often responsible for the day-to-day management of multiple accounts, including, among others, separate accounts for institutional clients, closed-end and open-end registered investment companies, and/or private investment funds (such as hedge funds, private equity funds and structured funds), as well as for proprietary accounts of Babson Capital Finance and its affiliates, including MassMutual and its affiliates. The potential for material conflicts of interest exist whenever a portfolio manager has responsibility for the day-to-day management of multiple advisory accounts. These conflicts may be heightened to the extent a portfolio manager is responsible for managing a proprietary account for Babson Capital Finance or its affiliates or where the portfolio manager, Babson Capital Finance and/or an affiliate has an investment in one or more of such accounts or an interest in the performance of one or more of such accounts (e.g., through the receipt of a performance or incentive fee).

Investment Allocation: Such potential conflicts include those relating to allocation of investment opportunities. For example, it is possible that an investment opportunity may be suitable for more than one account managed by Babson Capital Finance (including Babson Capital Finance's proprietary account(s)), but may not be available in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. A conflict arises where the portfolio manager has an incentive to treat an account preferentially because the account pays Babson Capital Finance or its affiliates a performance-based fee or the portfolio manager, Babson Capital Finance or an affiliate has an ownership or other economic interest in the account. As noted above, Babson Capital Finance also acts as an investment manager for certain of its affiliates. These affiliate accounts co-invest jointly and concurrently with Babson Capital Finance's other advisory clients and therefore share in the allocation of such investment opportunities. To address the conflicts of interest associated with the allocation of trading and investment opportunities, Babson Capital Finance has adopted an Investment Allocation Policy and trade allocation procedures that govern the allocation of portfolio transactions and investment opportunities across multiple advisory accounts, including affiliated and proprietary accounts, which are summarized below under Item 12 – Brokerage Practices, Investment Allocation Policy. In addition, as noted above, to address the conflicts, Babson Capital Finance has adopted a Side by Side Management of Private Investment Funds and Other Advisory Accounts Policy which requires, among others things, that Babson Capital Finance treat each of its advisory clients in a manner consistent with its fiduciary obligations and prohibits Babson Capital Finance from favoring any particular advisory account as a result of the ownership or economic interests of Babson Capital Finance, its affiliates or employees, in such advisory accounts. Any investment by a Babson Capital Finance employee in one of its private funds is also governed by Babson Capital Finance's Employee Co-Investment Policy, which ensures that any co-investment by a Babson Capital Finance employee is consistent with Babson Capital Finance's Code of Ethics, as summarized above.

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Personal Securities Transactions: Potential material conflicts of interest may also arise related to the knowledge and timing of an account's trades, investment opportunities and broker selection. Babson Capital Finance and its portfolio managers have information about the size, timing and possible market impact of the trades of each account they manage. It is possible that portfolio managers could use this information for their personal advantage and/or to the advantage or disadvantage of various accounts which they manage. For example, a portfolio manager could cause a favored account to "front run" an account's trade or sell short a security for an account immediately prior to another account's sale of that security. To address these conflicts, Babson Capital Finance has adopted policies and procedures, including a Side by Side Management of Private Investment Funds and Other Advisory Accounts Policy, which requires, among other things, that Babson Capital Finance treat each of its advisory clients in a manner consistent with its fiduciary obligations and prohibits Babson Capital Finance from favoring any particular account as a result of the ownership or economic interest of Babson Capital Finance, its affiliates or employees and a Code of Ethics, as summarized above.

Trade Errors: Potential material conflicts of interest may also arise if a trade error occurs in a client account. A trade error is deemed to occur if there is a deviation by Babson Capital Finance from the applicable standard of care in connection with the placement, execution or settlement of a trade for an advisory account that results in (1) Babson Capital Finance purchasing securities not permitted or authorized by a client's investment advisory agreement or otherwise failing to follow a client's specific investment directives; (2) Babson Capital Finance purchasing or selling the wrong security or the wrong amount of securities on behalf of a client's account; or (3) Babson Capital Finance purchasing or selling securities for, or allocating securities to, the wrong client account. When correcting these errors, conflicts of interest between Babson Capital Finance and its advisory accounts may arise as decisions are made on whether to cancel, reverse or reallocate the erroneous trades. In order to address the conflicts, Babson Capital Finance has adopted an Errors Policy governing the resolution of trading errors, and will follow the Errors Policy in order to ensure that trade errors are handled promptly and appropriately and that any action taken to remedy an error places the interest of a client ahead of Babson Capital Finance's interests.

Best Execution; Directed Brokerage: With respect to securities transactions for most of the accounts Babson Capital Finance is proposed to manage, Babson Capital Finance may purchase or sell public or private company securities held by advisory clients through privately negotiated transactions that may be executed with third parties directly or may involve the use of brokers or dealers (such third parties and brokers and dealers herein referred to collectively as "counterparties"). Babson Capital Finance will determine which counterparty to use to execute each order, consistent with its fiduciary duty to seek best execution of the transaction.

Babson Capital Finance does not accept instruction from accounts it manages to limit its discretion with respect to the selection of brokers or directing it to execute such client's transactions through a particular broker ("Directed Brokerage"). Babson Capital Finance has adopted a Best Execution Policy and a Directed Brokerage Policy which are summarized below under Item 12 – Brokerage Practices, Broker Selection/Recommendation and Directed Brokerage.

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As discussed above, Babson Capital Finance employees may trade in issuers that are purchased, held and sold by or on behalf of Babson Capital Finance's advisory clients, subject to a number of limitations. See above for a discussion of restrictions on employee personal securities transactions contained in Babson Capital Finance's Code of Ethics.

Babson Capital Finance and its portfolio managers or employees may have other actual or potential conflicts of interest in managing an advisory account, and the list above is not a complete description of every conflict of interest that could be deemed to exist.

Investments in which Managed Private Funds and Advisory Clients and Babson Capital Finance and/or its Affiliates Invest in Different Parts of the Capital Structure of the Same Company:

Certain of Babson Capital Finance's managed private funds and advisory clients and Babson Capital Finance and/or its affiliates may invest in different parts of the capital structure of the same company. For example, a Babson Capital Finance managed private fund may invest in debt securities issued by a portfolio company, the rights of which are subordinated to debt securities invested in by another Babson Capital Finance managed private fund or Babson Capital Finance and/or its affiliates; or a Babson Capital Finance managed private fund may invest in debt securities issued by a portfolio company in which another Babson Capital Finance managed private fund has an equity interest. The interests of such Babson Capital Finance managed private fund, Babson Capital Finance advisory clients, and Babson Capital Finance and/or its affiliates may not always be aligned, which may give rise to actual or potential conflicts of interest, or the appearance of such conflicts of interest. Actions taken for one Babson Capital Finance managed private fund may be adverse to another Babson Capital Finance managed private fund or actions taken for a Babson Capital Finance managed private fund or Babson Capital Finance and/or its affiliates may be adverse to a Babson Capital Finance managed private fund or advisory client, or vice versa. In addition, because some investments in portfolio companies may be made directly by Babson Capital Finance and/or its affiliates, Babson Capital Finance may have a greater incentive to invest on behalf of Babson Capital Finance managed private funds or advisory clients in such portfolio companies.

Where Babson Capital Finance managed private funds or advisory clients and Babson Capital Finance and/or its affiliates invest in different parts of the capital structure of a portfolio company, their respective interests may diverge significantly in the case of financial distress of the company. For example, a Babson Capital Finance managed private fund may hold equity interests in a portfolio company in which a Babson Capital Finance affiliate holds debt securities or of which it is otherwise a creditor. In a bankruptcy proceeding, the Babson Capital Finance managed private fund's interest may be subordinated or otherwise adversely affected by virtue of such Babson Capital Finance affiliate's involvement and actions relating to its debt investment. This may result in loss or substantial dilution of the Babson Capital Finance managed private fund's investment, while the Babson Capital Finance affiliate recovers all or part of the amount due to it. In addition, where a Babson Capital Finance affiliate is a creditor of a portfolio company in which a Babson Capital Finance managed private fund holds more junior securities, the Babson Capital Finance affiliate may take actions in its own interests with respect to its rights as a creditor (e.g., with respect to breaches of covenants) that may be adverse to the interests of the Babson Capital Finance managed private fund as a holder of more junior securities.

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Babson Capital Finance has established policies and procedures intended to address conflicts of interest inherent in these transactions. These policies and procedures, which include limitations on the types of such investment and procedures relating to corporate actions in the event of a bankruptcy, are intended to supplement such restrictions and other requirements relating to such investments as are established and negotiated with respect to the Babson Capital Finance managed private funds and advisory clients and provided for in their offering materials, disclosure documents, investment management agreements and/or governing documents. In addition, as part of Babson Capital Finance's investment process, Babson Capital Finance's senior management will, on a case-by-case basis, discuss and resolve any conflicts that arise among Babson Capital Finance managed private funds and advisory clients and Babson Capital Finance or its affiliates (or review internal policies and procedures for managing such conflicts), and will take into account various factors in determining whether a particular transaction for a Babson Capital Finance managed private fund and advisory client is in the best interests of that fund or client, as well as applicable law.

Insider Trading/Firewalls:

Babson Capital Finance has adopted an Insider Trading and Firewall Policy to ensure that processes and procedures are reasonably designed to detect and prevent insider trading and to establish effective information barriers ("firewalls") between certain groups of Babson Capital Finance's investment professionals as well as between Babson Capital Finance and affiliated entities, including Babson Capital. Babson Capital Finance has established such firewalls to prevent the unauthorized access to or flow of insider information between and among such groups and entities.

Those companies about which Babson Capital Finance (or in certain situations, an affiliate of Babson Capital Finance), has inside information will be placed on the relevant restricted list(s) applicable to all Babson Capital Finance investment groups and other entities deemed appropriate by Babson Capital Finance's Chief Compliance Officer. This may result in Babson Capital Finance being unable to buy and sell securities for a client's advisory account while the issuer of such security remains on the restricted list, notwithstanding the fact that Babson Capital Finance may have otherwise determined that such purchase or sale would be in a client's best interest.

Item 12 – Brokerage Practices

Broker Selection/Recommendations:

As described above, Babson Capital Finance invests in various asset classes including senior secured middle market loans, unitranche debt, project financings, mezzanine securities and private equity of private and public companies, either directly or indirectly through private placement funds. Babson Capital Finance has a duty to execute client transactions in such a manner that the client's total costs or proceeds in each transaction are the most favorable under the circumstances ("best execution"). Babson Capital Finance may purchase or sell public or private company securities held by clients through privately negotiated transactions that may be executed by third parties directly or may involve the use of brokers or dealers (such third parties and brokers or dealers herein referred to collectively as "counterparties"). Members of Babson

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Capital Finance's Investment Team who are responsible for selecting counterparties to execute transactions on behalf of clients, whether through a privately negotiated transaction or through a traditional market transaction, are expected to use their best judgment in selecting the counterparty best suited to provide overall best execution. The determinative factor in this analysis and selection is not necessarily the lowest possible execution cost but whether a transaction represents the best qualitative execution for an account.

Babson Capital Finance will consider the full range and quality of a counterparty's services, and may consider, among others, the following factors (each of which may carry more or less weight in the context of a particular trade or transaction): competitiveness of price (includes economics and structure of the deal, spread or commission rates); availability of accurate information regarding the market of the security in question; character of the market for the security (e.g., price, volatility, relative liquidity); difficulty of the transaction and the unique security characteristics; size of the order; product transaction style and strategy; competitiveness of bid/ask levels or commission rates (as applicable); confidentiality provided by the counterparty; promptness of execution; past execution history; clearance and settlement capabilities; quality of the counterparty's confirmations and account statements; financial strength of the counterparty; overall credit exposure to the counterparty; reputation and integrity; access to continued deal flow; specialized expertise; fairness in resolving disputes; ability and willingness to commit capital; quality of research; and overall responsiveness to Babson Capital Finance.

Babson Capital Finance's Investment Team will seek to achieve best execution of client transactions by, among other things, encouraging open communication between investment staff who have suitable experience/training and access to appropriate resources so that they can monitor whether their portfolio transactions are being executed in ways that capture the maximum value of their investment decisions.

Research and Other Soft Dollar Benefits:

It has for many years been a common practice in the investment advisory business for investment advisers to receive brokerage and research services (as defined in the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder (the "1934 Act")) from broker-dealers that effect portfolio transactions for the clients of such advisers and from third parties with whom such broker-dealers have arrangements. The above notwithstanding, Babson Capital Finance does not (and will not) receive any such brokerage and research services and products, either directly or through third parties with whom these broker-dealers have arrangements. Should Babson Capital Finance's practices in this regard change in the future, it will adopt appropriate policies and procedures to address the potential conflicts that may arise.

Brokerage for Client Referrals:

Babson Capital Finance will not enter into directed brokerage arrangements with broker-dealers as compensation for client referrals or as compensation for the efforts of such broker-dealer in connection with the sale of interests in Babson Capital Finance private funds or other investment products. Babson Capital Finance may, however, use such broker-dealers to effect

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transactions for such referred clients or private funds consistent with Babson Capital Finance's best execution obligations.

Directed Brokerage:

Babson Capital Finance will not allow an advisory client to limit or restrict Babson Capital Finance's discretion to execute transactions for the client's account through a particular counterparty or broker or dealer.

Investment Aggregation:

Investment Allocation Policy

Many of the investment transactions by Babson Capital Finance on behalf of its clients will be effected as aggregated transactions made for a number of accounts, including for its own account or the account of its affiliates, including Babson Capital, MassMutual and MassMutual's other subsidiaries and affiliates, for other accounts or funds in which Babson Capital Finance, its affiliates, or their respective employees may have a beneficial or proprietary interest, or for accounts with respect to which affiliates of Babson Capital Finance receive a performance-based advisory fee. To address the conflicts of interest associated with the allocation of trading and investment opportunities, Babson Capital Finance has adopted an Investment Allocation Policy (the "Policy") setting forth general principles of allocation for aggregated investment transactions, and established a Babson Capital Finance Investment Committee to assist in the implementation of policies and procedures designed to result in the fair and equitable distribution of aggregated investment opportunities across all Babson Capital Finance investment advisory accounts ("Allocation Procedures"). Babson Capital Finance's Compliance Department may grant exceptions to any provision of these Allocation Procedures so long as such exceptions are consistent with the purpose of the Allocation Procedures and applicable law, documented and retained for the period required. These Allocation Procedures are summarized below.

Babson Capital Finance is committed to transacting in securities, loans and other financial instruments in a manner that is consistent with the investment objectives of each of its advisory clients, and to allocating investment opportunities (including purchase and sale opportunities) among its clients on a fair and equitable basis.

Babson Capital Finance determines whether aggregation of such transactions is desirable, appropriate and feasible and will allocate trades among participating accounts with the general purpose of maintaining consistent and/or appropriate concentrations across similar accounts and in an effort to obtain more favorable execution in terms of price, cost and efficiency in processing the transaction. When aggregating orders, all clients will be treated in a fair and equitable manner. Babson Capital Finance will not make allocation decisions based on relationships with certain clients, fees or compensation. Babson Capital Finance has adopted Allocation Procedures designed to ensure that trade allocations are timely, that no set of trade allocations is accomplished to unfairly advantage one client over another and that over time, clients are treated equitably, even though a specific trade may have the effect of benefiting one client as against another when viewed in isolation. Allocations are generally made at or about

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the time of execution and before the end of the business day or as soon as practicable thereafter. To the extent a traditional broker-dealer is used to execute a transaction and typically depending on such factors as the size of an order and the type and availability of a security, orders may be executed throughout the day rather than being aggregated. As a result, one account may receive a price for a particular transaction that is different from the price received by another account for a similar transaction on the same day. In general, trades are allocated among portfolios on a pro rata basis (given the portfolio has indicated interest) when Babson Capital Finance determines such aggregation is appropriate and in the best interest of its clients.

It is Babson Capital Finance's policy to generally share appropriate investment opportunities (including purchase and sale opportunities) across all clients including those accounts that may be for the benefit of affiliates of Babson Capital Finance or for its own proprietary account. In general, this means that such opportunities will be allocated pro rata among the clients with interest. In addition, Babson Capital Finance must comply with allocation procedures specified in any of the fund or organizational documents of its clients. No client will be allocated assets if such allocation does not meet the investment objective or current risk profile of such client.

Notwithstanding the foregoing, an aggregated order may be allocated on a basis different from that specified in Babson Capital Finance's Allocation Procedures described herein. Reasons for allocating on a different basis include, but are not limited to: a client's investment guidelines and restrictions, available cash, liquidity requirements, industry or issuer concentrations, tax or legal reasons, to avoid odd-lots or in cases when a pro rata allocation would result in a de minimis allocation to one or more clients. From time to time, aggregation may not be possible because a security is thinly traded. Babson Capital Finance seeks to treat all clients reasonably in light of all factors relevant to managing an account, and in some cases it is possible that the application of the factors described above may result in allocations in which certain accounts may receive an allocation when others do not.

Item 13 – Review of Accounts

Advisory accounts managed by Babson Capital Finance will be reviewed regularly. Account level reviews will be generally performed by the portfolio manager or team responsible for account management, who will review portfolio holdings and monitor compliance with, to the extent applicable, any client-mandated investment guidelines. Reviews will be supplemented by other Babson Capital Finance support professionals who monitor valuation, credit quality, duration, spread and market activity and other factors, as applicable, as well as compliance professionals who will monitor security holdings on an account basis to ensure compliance with account investment guidelines. In addition to account level review, securities held on behalf of client advisory accounts will be subject to economic, fundamental, technical and/or quantitative analyses that Babson Capital Finance will utilize in its investment-decision making.

Client reports will be tailored to meet the needs of the respective client, and will vary in scope, format, approach and timing in accordance with each client's requirements. Clients will receive written reports.

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Item 14 – Client Referrals and Other Compensation

Consistent with regulatory requirements under the Advisers Act, Babson Capital Finance's affiliated broker-dealer, Babson Capital Securities, may act as placement agent for certain private investment funds where Babson Capital Finance is not a sponsor or adviser to the fund, but where Babson Capital Finance, Babson Capital or an affiliate may be a lead investor and/or share in the economics as a general partner or pay a reduced fee. Babson Capital Finance or its affiliates may solicit clients to invest in such funds and receive compensation from the adviser to the fund or its affiliates in connection with such placement agent services.

In certain circumstances, and in accordance with the applicable law, Babson Capital Finance may (1) pay a fee to employees of Babson Capital Finance or its affiliates or other selected individuals, or entities who introduce business to Babson Capital Finance, or (2) receive a fee for introducing clients and their business to related persons or third parties. The amount of fees paid to or received from third parties would be negotiated between Babson Capital Finance and such persons.

Item 15 – Custody

In certain instances, Babson Capital Finance may be deemed to have custody of client assets under Rule 206(4)-2 of the Advisers Act (the "Custody Rule"). In order to comply with the Custody Rule, in certain cases qualified custodians will send quarterly or more frequent account statements directly to Babson Capital Finance clients. Clients should carefully review such statements and compare them to any account statements they receive from Babson Capital Finance. If any discrepancies are found, clients should contact Babson Capital Finance and their custodian as soon as possible.

Item 16 – Investment Discretion

It is expected that Babson Capital Finance's investment management agreements will generally provide Babson Capital Finance with discretionary authority to determine which securities, and in what amounts and on what terms, to buy or sell on behalf of a client's account, which counterparties to use in executing client transactions, and the brokerage commissions to be paid in connection with the transaction. Investment decisions for a client will be made with a view to achieving the client's investment objectives. Clients may establish specific investment guidelines for their accounts, which may limit Babson Capital Finance's investment discretion for those accounts by requiring Babson Capital Finance to abide by certain investment limitations and restrictions in such guidelines. In determining when to purchase or sell securities for an advisory account, Babson Capital Finance will consider many factors, including those summarized above in Item 12 – Brokerage Practices, Investment Aggregation. In making these determinations for clients in light of each account's investment objectives, it may result that a particular security is bought or sold only on behalf of certain clients of Babson Capital Finance, even though it could have been bought or sold for other clients of Babson Capital Finance.

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Transactions on U.S. stock exchanges, commodities markets and futures markets and other agency transactions may involve the payment by a client of brokerage commissions. Such commissions vary among different broker-dealers. A particular broker-dealer may charge different commissions according to such factors as the difficulty and size of the transaction. In the case of securities traded in the over-the-counter markets, the price paid by a client may include an undisclosed dealer commission or mark-up. In underwritten offerings, the price paid by a client includes a disclosed, fixed commission or discount retained by the underwriter or dealer which, in certain circumstances and to the extent not prohibited by applicable law, may be an affiliated broker-dealer of Babson Capital Finance. To the extent there is a client mandated or other prohibition against the use of an affiliated broker-dealer, such trades may not be aggregated in accordance with the Investment Allocation Policy described above in Item 12 – Brokerage Practices.

Item 17 – Voting Client Securities

Babson Capital Finance views the voting of proxies as an integral part of its investment management responsibility and believes, as a general principle, that proxies should be acted upon (voted or abstained) solely in the best interest of its clients (i.e. in a manner it believes is most likely to enhance the economic value of the underlying securities held in client accounts). To implement this general principle, Babson Capital Finance has engaged the services of Babson Capital to handle the voting and administration of its Proxy Voting Policy. Babson Capital in turn engages a proxy service provider (the “Service Provider”) that is responsible for processing and maintaining records of proxy votes. In addition, the Service Provider will retain the services of an independent third party research provider (the “Research Provider”) to provide research and recommendations on proxies. Babson Capital Finance’s Proxy Voting Policy is generally to vote proxies in accordance with the recommendations of the Research Provider. In circumstances where the Research Provider has not provided recommendations with respect to a proxy, Babson Capital Finance will vote in accordance with the Research Provider’s proxy voting guidelines (the “Guidelines”). In circumstances where the Research Provider has not provided a recommendation or has not contemplated an issue within its Guidelines, the proxy will be analyzed on a case-by-case basis.

Babson Capital Finance recognizes that there may be times when it is in the best interest of clients to vote proxies (i) against the Research Provider’s recommendations or (ii) in instances where the Research Provider has not provided a recommendation vote against the Guidelines. Babson Capital Finance can vote, in whole or in part, against the Research Provider’s recommendations or Guidelines, as it deems appropriate. The procedures set forth in the Proxy Voting Policy are designed to ensure that votes against the Research Provider’s recommendations or Guidelines are made in the best interests of clients and are not the result of any material conflict of interest (a “Material Conflict”). For purposes of the Proxy Voting Policy, a Material Conflict is defined as any position, relationship or interest, financial or otherwise, of Babson Capital Finance or a Babson Capital Finance associate that could reasonably be expected to affect the independence or judgment concerning proxy voting. Babson Capital Finance will vote all client proxies for which it has proxy voting discretion, where no Material Conflict exists, in accordance with the Research Provider’s recommendations or Guidelines, unless (i) Babson Capital Finance is unable or determines not to vote a proxy in accordance with the Proxy Voting Policy or (ii) an authorized investment person or designee (a

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“Proxy Analyst”) determines that it is in the client’s best interests to vote against the Research Provider’s recommendations or Guidelines. In such cases where a Proxy Analyst believes a proxy should be voted against the Research Provider’s recommendations or Guidelines, the Proxy Administrator will vote the proxy in accordance with the Proxy Analyst’s recommendation as long as (i) no other Proxy Analyst disagrees with such recommendation and (ii) no known Material Conflict is identified by the Proxy Analyst(s) or the Proxy Administrator. If a Material Conflict is identified by a Proxy Analyst or the Proxy Administrator, the proxy will be submitted to the Trading Practices Committee to determine how the proxy is to be voted in order to achieve that client’s best interests.

Nothing herein shall preclude Babson Capital Finance from splitting a vote among different advisory clients in those cases where Babson Capital Finance deems it appropriate.

No associate, officer, director or board of managers/directors of Babson Capital Finance or its affiliates (other than those assigned such responsibilities under the Proxy Voting Policy) can influence how Babson Capital Finance votes client proxies, unless such person has been requested to provide assistance by a Proxy Analyst or Trading Practices Committee member and has disclosed any known Material Conflict. Pre-vote communications are prohibited. In the event that pre-vote communications occur, it should be reported to the Trading Practices Committee or Babson Capital Finance’s Chief Compliance Officer prior to voting. Any questions or concerns regarding proxy-solicitor arrangements should be addressed to Babson Capital Finance’s Chief Compliance Officer.

It is anticipated that Babson Capital Finance’s investment management agreements for separate account management will generally convey the authority to vote proxies to Babson Capital Finance. If the investment management agreement states that the client has delegated proxy voting authority to Babson Capital Finance, Babson Capital Finance will vote such proxies in accordance with the Proxy Voting Policy. In the event a client makes a written request that Babson Capital Finance vote in accordance with such client’s proxy voting instruction, Babson Capital Finance will vote that client’s securities as instructed by the client. In the event an investment management agreement is silent on proxy voting, Babson Capital Finance should obtain written instructions from the client as to their voting preference. However, when the client does not provide written instructions as to their voting preferences, Babson Capital Finance will assume proxy voting responsibilities.

Clients may obtain a copy of Babson Capital Finance’s Proxy Voting Policy and information about how Babson Capital Finance voted proxies related to their securities, free of charge, by contacting the Chief Compliance Officer, Babson Capital Finance LLC, Independence Wharf, 470 Atlantic Avenue, Boston, MA 02210, or calling toll-free, 1-877-766-0014.

For the avoidance of doubt, any private equity securities or debt securities held in portfolios managed by Babson Capital Finance shall not be subject to Babson Capital Finance’s Proxy Voting Policy. This is because such issuers are not adequately covered by independent third party research providers. Any such proxies will be analyzed and voted on a case-by-case basis.

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Item 18 – Financial Information

Item 18 is not applicable.