usbank

Global Corporate Trust Services
214 North Tryon Street
Charlotte, NC 28202

Notice to Holders of Notes issued by Babson CLO Ltd. 2013-II and, as applicable, Babson CLO 2013-II, LLC

Class of Notes[1]	Rule 144A		Regulation S		Accredited Investor	
	CUSIP	ISIN	CUSIP	ISIN	CUSIP	ISIN
Class A-1 Notes	05617YAA7	US05617YAA73	G07007AA8	USG07007AA81		
Class A-2 Notes	05617YAC3	US05617YAC30	G07007AB6	USG07007AB64		
Class B-1 Notes	05617YAE9	US05617YAE95	G07007AC4	USG07007AC48		
Class B-2 Notes	05617YAN9	US05617YAN94	G07007AG5	USG07007AG51		
Class C Notes	05617YAG4	US05617YAG44	G07007AD2	USG07007AD21		
Class D Notes	05618CAA4	US05618CAA45	G07005AA2	USG07005AA26		
Class E Notes	05618CAC0	US05618CAC01	G07005AB0	USG07005AB09		
Subordinated	05618CAE6	US05618CAE66	G07005AC8	USG07005AC81	05618CAF3	US05618CAF32

and notice to the parties listed on Schedule A attached hereto.

Notice of Refinancing of the Secured Notes and Proposed Supplemental Indenture

PLEASE FORWARD THIS NOTICE TO BENEFICIAL HOLDERS

Reference is made to that certain Indenture, dated as of December 17, 2013 (as amended, modified or supplemented from time to time, the "***Indenture***"), among Babson CLO Ltd. 2013-II, as issuer (the "***Issuer***"), Babson CLO 2013-II, LLC, as co-issuer (together with the Issuer, the "***Co-Issuers***"), and U.S. Bank National Association, as trustee (in such capacity, the "***Trustee***"). Capitalized terms used but not defined herein which are defined in the Indenture shall have the meaning given thereto in the Indenture.

The Trustee hereby provides notice that, on or about January 20, 2017, the Trustee received notice from the Holders of a Majority of the Subordinated Notes directing a Refinancing of one or more of the Class A-1 Notes, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes, Class C Notes, Class D Notes and Class E Notes (collectively, the "***Secured Notes***") in accordance with Section 9.2(a) of the Indenture. Subsequent to such notice, the Issuer has informed the Trustee that it has been informed by such Holders of a Majority of the Subordinated Notes that the Classes of Secured Notes subject to such Refinancing shall be the Class A-1 Notes, the Class A-2 Notes, the Class B-1 Notes and the Class B-2 Notes (the "***Refinanced Notes***"). Accordingly, the Trustee

[1] The CUSIP/ISIN numbers appearing herein are included solely for the convenience of the Holders. The Trustee is not responsible for the selection or use of CUSIP/ISIN numbers, or for the accuracy or correctness of CUSIP/ISIN numbers printed on any Notes or as indicated in this notice.

hereby provides notice pursuant to Section 9.4 of the Indenture of a Refinancing of the Refinanced Notes, as follows:

(a) the applicable Redemption Date shall be March 2, 2017 (the "***Redemption Date***");

(b) the Redemption Price of each Class of Refinanced Notes to be redeemed is as follows:

Notes	Outstanding Principal Amount	Redemption Price
Class A-1 Notes	$415,000,000.00	$416,241,080.09
Class A-2 Notes	$97,000,000.00	$97,321,366.28
Class B-1 Notes	$32,000,000.00	$32,140,417.74
Class B-2 Notes	$16,000,000.00	$16,097,777.78

(c) all of the Refinanced Notes are to be redeemed in full and interest on such Refinanced Notes shall cease to accrue on the Redemption Date;

(d) the applicable Record Date is (i) in the case of the Global Secured Notes, March 1, 2017 or (ii) in the case of the Certificated Secured Notes, February 15, 2017 or, in each case, such later date that is one day or 15 days prior to the Redemption Date, as applicable;

(e) The Certificated Notes to be redeemed are to be surrendered for payment of the Redemption Price at the following address:

U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Ave E
St. Paul, MN 55107-1402
Attention: Bondholder Services – EP-MN-WS2N – Babson CLO Ltd. 2013-II;
and

(f) The Class C Notes, the Class D Notes, the Class E Notes and the Subordinated Notes are not being redeemed on the Redemption Date.

In addition, pursuant to Section 8.3(c) of the Indenture, the Trustee hereby provides notice of a proposed supplemental indenture (hereinafter referred to as the "***Proposed Supplemental Indenture***") to be entered into among the Issuer, Co-Issuer and the Trustee in order to effectuate such Refinancing. A copy of the Proposed Supplemental Indenture is attached hereto as **Exhibit A**. The proposed date of the execution of the Proposed Supplemental Indenture is March 2, 2017, which shall also be the Redemption Date for the Refinancing.

Please note that the Refinancing described above and the execution of the Proposed Supplemental Indenture is subject to the satisfaction of certain conditions set forth in the Indenture, including, without limitation, the conditions set forth in Section 9.4 of the Indenture. The Trustee does not express any view on the merits of, and does not make any recommendation (either for or against) with respect to, the Proposed Supplemental Indenture or the proposed Refinancing and gives no investment, tax or legal advice. Each Holder should seek advice from its own counsel and advisors based on the Holder's particular circumstances.

Recipients of this notice are cautioned that this notice is not evidence that the Trustee will recognize the recipient as a Holder. In addressing inquiries that may be directed to it, the Trustee may conclude that a specific response to a particular inquiry from an individual Holder is not consistent with equal and full dissemination of information to all Holders. Holders should not rely on the Trustee as their sole source of information.

The Trustee expressly reserves all rights under the Indenture, including, without limitation, its right to payment in full of all fees and costs (including, without limitation, fees and costs incurred or to be incurred by the Trustee in performing its duties, indemnities owing or to become owing to the Trustee, compensation for Trustee time spent and reimbursement for fees and costs of counsel and other agents it employs in performing its duties or to pursue remedies) prior to any distribution to Holders or other parties, as provided in and subject to the applicable terms of the Indenture, and its right, prior to exercising any rights or powers vested in it by the Indenture at the request or direction of any of the Holders, to receive security or indemnity satisfactory to it against all costs, expenses and liabilities which might be incurred in compliance therewith, and all rights that may be available to it under applicable law or otherwise.

Holders with questions regarding this notice should direct their inquiries, in writing, to: Jeremy Edmiston, U.S. Bank National Association, Global Corporate Trust Services, 214 North Tryon Street, Charlotte, North Carolina 28202, telephone (704) 335-4624, or via email at jeremy.edmiston@usbank.com.

U.S. BANK NATIONAL ASSOCIATION, as Trustee **February 8, 2017**

SCHEDULE A

Babson CLO Ltd. 2013-II
c/o MaplesFS Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands
Facsimile No. (345) 945-7100

Babson CLO 2013-II, LLC
c/o Puglisi & Associates
850 Library Avenue, Suite 204
Newark, Delaware 19711
Attention: Donald J. Puglisi
Facsimile No. (302) 738-7210

Barings LLC f/k/a Babson Capital Management LLC
550 South Tryon Street, Suite 3300
Charlotte, North Carolina 28202
Attention: Rob Shelton

U.S. Bank, National Association, as Collateral Administrator and Income Note Paying Agent

Moody's Investors Service, Inc.
Email: CDOMonitoring@Moodys.com

Standard & Poor's
Email: CDO_Surveillance@spglobal.com

Irish Listing Agent
Maples and Calder
75 St. Stephen's Green
Dublin 2, Ireland
Attention: Babson CLO Ltd. 2013-II
facsimile no. +353 1619 2001

Irish Stock Exchange Announcement Office
Electronic copy to be uploaded to the Irish Stock Exchange website via http://www.isedirect.ie

<u>Exhibit A</u>

<u>[Proposed Supplemental Indenture]</u>

Subject to completion and amendment, draft dated February 7, 2017

FIRST SUPPLEMENTAL INDENTURE

dated as of [●], 2017

among

BABSON CLO LTD. 2013-II,
as Issuer

and

BABSON CLO 2013-II, LLC,
as Co-Issuer

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

to

the Indenture, dated as of December 17, 2013,
among the Issuer, the Co-Issuer and the Trustee

This FIRST SUPPLEMENTAL INDENTURE dated as of [●], 2017 (this "Supplemental Indenture") to the Indenture dated as of December 17, 2013 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Indenture") is entered into among Babson CLO Ltd. 2013-II, an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "Issuer"), Babson CLO 2013-II, LLC, a limited liability company organized under the laws of the State of Delaware (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), and U.S. Bank National Association, as trustee under the Indenture (together with its successors in such capacity, the "Trustee"). Capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

WHEREAS, pursuant to Section 8.1(a)(xi)(C) of the Indenture, without the consent of any Holders of any Notes (except as provided below), when authorized by Board Resolutions, and subject to the applicable conditions set forth in Section 8.1 of the Indenture, the Co-Issuers and the Trustee may enter into one or more indentures supplemental to the Indenture, for the purpose of making such changes as shall be necessary to permit the Co-Issuers to co-issue replacement securities in connection with a Refinancing;

WHEREAS, the Co-Issuers wish to amend the Indenture as set forth in this Supplemental Indenture and have requested that the Trustee execute and deliver this Supplemental Indenture;

WHEREAS, the conditions set forth for entry into a supplemental indenture pursuant to Section 8.1(a)(xi)(C) of the Indenture have been satisfied;

WHEREAS, the Class A-1 Notes, the Class A-2 Notes, the Class B-1 Notes and the Class B-2 Notes issued on December 17, 2013 (the "Refinanced Notes") are being redeemed simultaneously with the execution of this Supplemental Indenture by the Co-Issuers and the Trustee;

WHEREAS, pursuant to the terms of this Supplemental Indenture, each purchaser of a Replacement Note (as defined below) will be deemed to have consented to the execution of this Supplemental Indenture by the Co-Issuers and the Trustee; and

WHEREAS, pursuant to Section 9.2(a) of the Indenture, a Majority of the Subordinated Notes have directed the Co-Issuers to redeem the Refinanced Notes from Refinancing Proceeds;

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, the parties agree as follows:

I. **Amendments**. Terms of the Replacement Notes and Amendments to the Indenture.

(a) The Co-Issuers will issue the Replacement Notes (the proceeds of which shall be used to redeem the Refinanced Notes) which shall have the designations, original principal amounts and other characteristics as follows:

Principal Terms of the Replacement Notes

Designation	Class A-1-R Notes	Class A-2-R Notes	Class B-R Notes
Type	Senior Secured Floating Rate	Senior Secured Floating Rate	Senior Secured Deferrable Floating Rate
Issuer(s)	Co-Issuers	Co-Issuers	Co-Issuers
Initial Principal Amount (U.S.$)	$415,000,000	$97,000,000	$48,000,000
Expected S&P Initial Rating	"[AAA](sf)"	at least "[AA](sf)"	at least "[A](sf)"
Expected Moody's Initial Rating	"[Aaa] (sf)"	N/A	N/A
Index Maturity[1]	3 month	3 month	3 month
Interest Rate	LIBOR + [_]%	LIBOR + [_]%	LIBOR + [_]%
Interest Deferrable	No	No	Yes
Stated Maturity	January 18, 2025	January 18, 2025	January 18, 2025
Minimum Denominations (U.S.$) (Integral Multiples)	$500,000 ($1)	$500,000 ($1)	$500,000 ($1)
Ranking:			
Priority Class(es)	None	A-1-R	A-1-R, A-2-R
Pari passu Class(es)	None	None	None
Junior Class(es)	A-2-R, B-R, C, D, E, Subordinated	B-R, C, D, E, Subordinated	C, D, E, Subordinated
Listed Notes	Yes	Yes	Yes

(b) Effective as of the date hereof, the Indenture shall be amended as follows:

(i) The definition of "Class A Notes" is deleted in its entirety and replaced with the following:

> Class A Notes: Prior to the First Refinancing Date, the Class A-1 Notes and the Class A-2 Notes, collectively, and on and after the First Refinancing Date, the Class A-R Notes.

(ii) The definition of "Class A-1 Notes" is deleted in its entirety and replaced with the following:

> Class A-1 Notes: Prior to the First Refinancing Date, the Class A-1 Senior Secured Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3 and, on and after the First Refinancing Date, the Class A-1-R Notes.

(iii) The definition of "Class A-2 Notes" is deleted in its entirety and replaced with the following:

> Class A-2 Notes: Prior to the First Refinancing Date, the Class A-2 Senior Secured Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3 and, on and after the First Refinancing Date, the Class A-2-R Notes.

(iv) The definition of "Class B Notes" is deleted in its entirety and replaced with the following:

> Class B Notes: Prior to the First Refinancing Date, the Class B-1 Notes and the Class B-2 Notes, collectively, and on and after the First Refinancing Date, the Class B-R Notes.

(v) The definition of "Class B-1 Notes" is deleted in its entirety and replaced with the following:

> Class B-1 Notes: Prior to the First Refinancing Date, the Class B-1 Senior Secured Deferrable Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3 and, on and after the First Refinancing Date, the Class B-R Notes.

(vi) The definition of "Class B-2 Notes" is deleted in its entirety and replaced with the following:

> Class B-2 Notes: Prior to the First Refinancing Date, the Class B-2 Senior Secured Deferrable Fixed Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3; *provided* that, on and after the First Refinancing Date, the Class B-2 Notes shall be deemed to be paid in full and deemed not to be Outstanding for all purposes under this Indenture.

(vii) The definition of "Initial Purchaser" is deleted in its entirety and replaced with the following:

> Initial Purchaser: Citigroup, in its capacity as initial purchaser of the Secured Notes under the Purchase Agreement, and, on and after the First Refinancing Date, with respect to the Replacement Notes, the Refinancing Initial Purchaser.

(viii) The definition of "Offering Circular" is deleted in its entirety and replaced with the following:

> Offering Circular: Each offering circular relating to the offer and sale of the Notes, including any supplements thereto, or, with respect to the Replacement Notes, the final offering circular relating to the Replacement Notes dated [●], 2017.

(ix) The definition of "Purchase Agreement" is deleted in its entirety and replaced with the following:

> Purchase Agreement: The agreement dated as of the Closing Date between the Co-Issuers and Citigroup, as initial purchaser of the Secured Notes, as amended from time to time, and, on and after the First Refinancing Date, with respect to the Replacement Notes, the Refinancing Purchase Agreement.

(x) The following new definitions, as set forth below, are added to Section 1.1 of the Indenture in alphabetical order:

> Class A-R Notes: The Class A-1-R Notes and the Class A-2-R Notes, collectively.
>
> Class A-1-R Notes: The Class A-1-R Senior Secured Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.
>
> Class A-2-R Notes: The Class A-2-R Senior Secured Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.
>
> Class B-R Notes: The Class B-R Senior Secured Deferrable Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.
>
> Dodd-Frank Act: The Dodd-Frank Wall Street Reform and Consumer Protection Act.
>
> First Refinancing Date: [●], 2017.
>
> Refinancing Initial Purchaser: Merrill Lynch, Pierce, Fenner & Smith Incorporated, in its capacity as initial purchaser of the Replacement Notes under the Refinancing Purchase Agreement.
>
> Refinancing Purchase Agreement: The refinancing note purchase agreement dated as of the First Refinancing Date, by and among the Co-Issuers and the Refinancing Initial Purchaser related to the offering of the Replacement Notes.
>
> Replacement Notes: The Class A-R Notes and the Class B-R Notes.

(xi) On and after the First Refinancing Date, the table in Section 2.3 of the Indenture shall be modified by (i) replacing the second, third and fourth columns thereof with the applicable columns from the table set forth in Section I(a) of this Supplemental Indenture, (ii) deleting the fifth column thereof and (iii) amending the row entitled

"Priority Class(es)" by deleting each reference to "B-1" and "B-2" and inserting "B-R" in lieu thereof.

(xii) The first sentence of Section 9.2(a) of the Indenture is amended by inserting the following proviso at the end thereof:

> "; *provided* that no Refinancing of the Replacement Notes shall be permitted, except to the extent that a change of law, rule or regulation or regulatory guidance following the date hereof would permit a Refinancing without resulting in non-compliance with the rules implementing the credit risk retention requirements of Section 941 of the Dodd-Frank Act, as amended from time to time or if such rules are no longer effective, as determined by the Collateral Manager (based on advice of nationally recognized counsel experienced in such matters, an oral or written summary of which will be provided to the directing Majority of the Subordinated Notes upon request)."

(xiii) The first sentence of Section 9.8(a) of the Indenture is amended by inserting the following proviso at the end thereof:

> "; *provided further* that no Re-Pricing of the Replacement Notes shall be permitted, except to the extent that a change of law, rule or regulation or regulatory guidance following the date hereof would permit a Re-Pricing without resulting in non-compliance with the rules implementing the credit risk retention requirements of Section 941 of the Dodd-Frank Act, as amended from time to time or if such rules are no longer effective, as determined by the Collateral Manager (based on advice of nationally recognized counsel experienced in such matters, an oral or written summary of which will be provided to the directing Majority of the Subordinated Notes upon request)."

(xiv) Exhibits A1 and A10 to the Indenture are amended by:

(a) replacing all references to "Class A-1" with "Class A-1-R;

(b) deleting each CUSIP and ISIN and inserting the applicable identifiers obtained in connection with the issuance of the Replacement Notes;

(c) deleting "(the "Indenture")" and inserting "(as amended, modified or supplemented from time to time, the "Indenture")";

(d) deleting "commencing July 2014" and inserting "commencing April 2017"; and

(e) deleting "LIBOR plus 1.48%" and inserting "LIBOR plus [●]%".

(xv) Exhibits A2 and A11 to the Indenture are amended by:

(a) replacing all references to "Class A-2" with "Class A-2-R;

(b) deleting each CUSIP and ISIN and inserting the applicable identifiers obtained in connection with the issuance of the Replacement Notes;

(c) deleting "(the "Indenture")" and inserting "(as amended, modified or supplemented from time to time, the "Indenture")";

(d) deleting "commencing July 2014" and inserting "commencing April 2017"; and

(e) deleting "LIBOR plus 1.75%" and inserting "LIBOR plus [●]%".

(xvi) Exhibits A3 and A12 to the Indenture are amended by:

(a) replacing all references to "Class B-1" with "Class B-R;

(b) deleting each CUSIP and ISIN and inserting the applicable identifiers obtained in connection with the issuance of the Replacement Notes;

(c) deleting "(the "Indenture")" and inserting "(as amended, modified or supplemented from time to time, the "Indenture")";

(d) deleting "commencing July 2014" and inserting "commencing April 2017"; and

(e) deleting "LIBOR plus 2.65%" and inserting "LIBOR plus [●]%".

(xvii) Exhibits A8, A9, B1, B2, B4, B6, B7, B8, B9, H and I to the Indenture are amended by deleting "(the "Indenture")" and inserting "(as amended, modified or supplemented from time to time, the "Indenture")".

(xviii) Exhibits B1, B2, B3, B6 and B7 to the Indenture are amended by replacing all references to "[A-1][A-2][B-1][B-2]" with "[A-1-R][A-2-R][B-R]".

(xix) Exhibit H to the Indenture is amended by (i) deleting "[A-1] [A-2]" and inserting "[A-1-R] [A-2-R]", (ii) deleting "[B-1]" and inserting "[B-R]" and (iii) deleting "[Class B-2 Senior Secured Deferrable Fixed Rate Notes due 2025 of Babson CLO Ltd. 2013-II and Babson CLO 2013-II, LLC]".

II. Issuance and Authentication of Replacement Notes.

The Replacement Notes shall be issued as Rule 144A Global Secured Notes and Regulation S Global Secured Notes and shall be executed by the Co-Issuers and delivered to the Trustee for authentication and thereupon the same shall be authenticated.

III. Noteholder Consent.

(A) Each Holder or beneficial owner of a Replacement Note, by its acquisition thereof on the First Refinancing Date, shall be deemed to agree to the Indenture, as supplemented by this Supplemental Indenture and the execution by the Co-Issuers and the Trustee hereof.

(B) Written consents to this Supplemental Indenture have been obtained from a Majority of the Subordinated Notes.

IV. Governing Law.

This Supplemental Indenture and the Replacement Notes shall be construed in accordance with, and this Supplemental Indenture and the Replacement Notes and any matters arising out of or relating in any way whatsoever to this Supplemental Indenture or the Replacement Notes (whether in contract, tort or otherwise), shall be governed by, the law of the State of New York.

V. Execution in Counterparts.

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of this Supplemental Indenture by electronic means (including email or telecopy) will be effective as delivery of a manually executed counterpart of this Supplemental Indenture.

VI. Concerning the Trustee.

The recitals contained in this Supplemental Indenture shall be taken as the statements of the Co-Issuers, and the Trustee assumes no responsibility for their correctness. Except as provided in the Indenture, the Trustee shall not be responsible or accountable in any way whatsoever for or with respect to the validity, execution or sufficiency of this Supplemental Indenture and makes no representation with respect thereto. In entering into this Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture relating to the conduct of or affecting the liability of or affording protection to the Trustee.

VII. No Other Changes.

Except as provided herein, the Indenture shall remain unchanged and in full force and effect, and each reference to the Indenture and words of similar import in the Indenture, as amended hereby, shall be a reference to the Indenture as amended hereby and as the same may be further amended, supplemented and otherwise modified and in effect from time to time. This Supplemental Indenture may be used to create a conformed amended and restated Indenture for the convenience of administration by the parties hereto.

VIII. Execution, Delivery and Validity.

Each of the Co-Issuers represents and warrants to the Trustee that (i) this Supplemental Indenture has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms and (ii) the execution of this Supplemental Indenture is authorized or permitted under the Indenture and all conditions precedent thereto have been satisfied.

IX. Amended and Restated Indenture.

This Supplemental Indenture may be incorporated into an amended and restated Indenture.

X. Binding Effect.

This Supplemental Indenture shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

XI. Limited Recourse; Non-Petition.

The terms of Section 2.7(i) and Section 5.4(d) of the Indenture shall apply to this Supplemental Indenture *mutatis mutandis* as if fully set forth herein.

XII. Direction to the Trustee.

The Issuer hereby directs the Trustee to execute this Supplemental Indenture and acknowledges and agrees that the Trustee will be fully protected in relying upon the foregoing direction.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

BABSON CLO LTD. 2013-II,
as Issuer

By: ___________________________
Name:
Title:

BABSON CLO 2013-II, LLC,
as Co-Issuer

By: ___________________________
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ___________________________
Name:
Title:

CONSENTED AND AGREED

BARINGS LLC,
as Collateral Manager

By: ______________________________
Name:
Title: