SOUTHLAND CAPITAL MANAGEMENT, LLC

Month	BDC Fund II*	S&P 500 TR	Nasdaq Comp	Dow Jones	Russell 2000 (DRI)
Year Ending 2009	4.37%	5.49%	6.91%	7.37%	3.49%
January - 2010	- 0.75%	- 3.60%	-5.37%	- 3.46%	- 3.68%
February - 2010	9.15%	3.10%	4.23%	2.56%	4.50%
March - 2010	8.07%	6.03%	7.14%	5.15%	8.14%
April - 2010	4.66%	1.58%	2.64%	1.40%	5.66%
May - 2010	-19.28%	-7.99%	-8.29%	-7.92	-7.59
June - 2010	-6.78%	-5.23%	-6.55%	-3.58%	-7.55%
July - 2010	24.42%	7.01%	6.90%	7.08%	6.87%
August - 2010	-8.14%	-4.51%	-6.24%	-4.31%	-7.40%
September - 2010	27.74%	8.92%	12.04%	7.72%	12.46%
October - 2010	8.15%	3.81%	5.86%	3.06%	4.09%
November - 2010	4.81%	0.01%	-0.37%	-1.01%	3.47%
Year to Date	**52.56%**	**7.87%**	**10.09%**	**5.54%**	**17.52%**
Inception to Date	**59.23%**	**14.38%**	**17.71%**	**13.31%**	**22.07%**

* Fund's inception was October 1, 2009. Performance shown is net of all fees & expenses including management & performance fees. Past performance is not necessarily indicative of future performance. This material does not constitute an offer to sell (nor the solicitation of an offer to buy) interests in BDC Fund II, LP (the "Fund"). Offering is made by Private Placement Memorandum from a Principal only.

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NOVEMBER 2010 RESULTS

For the third month in a row, BDC II recorded a gain: this time a 4.81% increase after all costs, interest and management fees. The positive return was doubly encouraging given the difficult market conditions in the public markets in November. Investors had renewed jitters about the European sovereign debt crisis and doubts about quantitative easing, which resulted in poor results over the period. In fact, two of the indices we track BDC II against had negative returns, and the S&P index eked out only a 0.01% gain! Only the Russell 2000 (adjusted for dividend reinvestment) had a positive return, but less than BDC II at 3.47%. In fact, in each of the last 3 months BDCII's monthly return has exceeded the results of all the indices we compare ourselves against.

According to the Bloomberg Aggregate Hedge Fund Index, Bloomberg reports in FINalternatives that Hedge funds suffered their worst month since May's "flash crash" in November. The average hedge fund lost 1.5% last month as stocks declined amid fears about European debt. The Bloomberg Index is up just 3.8% this year, a far cry from last year's double-digit returns.

Turning to year-to-date performance, with one month to go in BDC II first full year of operation, ***we are 52.56% ahead***, three times higher than the second leading index (again the Russell 2000 DRI) and nearly ten times the return achieved by the Dow Jones over 11 months.

In the fourteen months since inception, BDC II is up 59.23%, nearly three times the return achieved by the second leading index.

CASH ON CASH RETURN

Turning to the cash income generated by the Fund, November continued the trend of a steadily increasing return as a percentage of invested capital. **Whereas the so called Cash On Cash return was 22.3% in October, the percentage had increased in November to 23.7%.** We are hopeful that by the end of December of this year, the Cash On Cash return in the fifteen months since the inception of BDC II will exceed 25%. Or put another way, an investor who committed an initial amount of capital when the Fund was launched will have received back a quarter of their original investment in the form of dividend distributions by the time the New Year rolls around. We believe this metric underscores the income producing capability of BDC II at a time when yields for most investments are in low single digits.

OUTLOOK FOR FUND

We thought that it might be useful to provide you with a brief synopsis of SCM's outlook for 2011 for the BDC industry. The market for leveraged loans and investments, which is the BDC industry's bread and butter, is in a sweet spot at the moment and favorable conditions are expected to continue through next year, barring an unforeseen political or economic shock. M&A activity for buyouts has been picking up through 2010 and should continue to build in 2011 as pent-up demand for change of control by both buyers and sellers plays out. Moreover, virtually all BDCs are sitting on considerable amounts of unused capital that should grow total industry assets, and total industry earnings. Total BDC investment assets exceed $22bn at fair market value in 2010. The main headwind is that there is a robust refinancing market underway which is shrinking the ranks of the existing BDC portfolios, but new loans should exceed repayments in 2011, and we expect to see total assets exceed $30bn.

In 2008 and 2009, and much of 2010 the BDC industry was tackling the bad loans made in the heady economic environment of 2004-2007. At its worst non-accruing loans were around 10% of total loans. In recent months, though, the industry has turned a corner. We expect very few new non-accruing loans to show up on the industry's books and many troubled companies to return to performing status in 2011. Credit quality should improve throughout 2011 as pre-recession loans are paid off and the proportion of loans made in the new, more conservative conditions of the last 18 months increase. We expect non-accruing loans to drop below 5% of total loans by the end of 2011.

Although yields have dropped sharply in the large sized leveraged loan and high yield markets, BDCs tend to operate in less liquid, smaller sized deals where yields have remained high (12-14% for subordinated debt and 8-12% for senior). We expect yields to reduce slightly in 2011 (about 1% on average) but still remain 10% or more over 10 year Treasuries.

Debt financing has been difficult for many BDCs in 2010, but that should improve in 2011. We're going to see BDCs raising increasing amounts of medium term and long term debt, as well as nabbing lower pricing on existing and new short term debt arrangements. At the same time, the hot market for raising equity that has existed in 2011 should continue. We expect several new BDCs to be launched through IPOs and two-thirds of existing BDCs to raise add-on equity, some of them multiple times. That will keep a lid on dividend increases, but ensure strong, de-leveraged capital structures for another year. We calculate that the BDC industry which historically was running aggregate debt to equity levels of 0.7:1.0 has seen debt to equity drop to half that in 2010. In 2011 we expect the very low debt to equity levels to continue.

NEWSLETTER

Keeping investors and prospective investors updated on the activities of Southland Capital Management and BDC Fund II

Office:
1221 Ocean Blvd., Suite 208
Santa Monica CA 90401
Tel: 800.579.1651

Nicholas Marshi
Chief Investment Officer
Email:
nmarshi@southlandcapitalmanagement.com

Bill Hansen
Chief Marketing Officer
Contact: 760.485.1252
Email:
bhansen@southlandcapitamanagement.com

Visit us @
www.southlandcapitalmanagement.com
Accredited Investors:
Please contact us for login information.

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MERRY CHRISTMAS & A HAPPY NEW YEAR!

SOUTHLAND CAPITAL MANAGEMENT

We wish you a very Happy Holiday season and Best Wishes for a profitable and healthy New Year!

Your friends at Southland Capital Management,

Bill Hansen & Nicholas Marshi

We don't foresee a rapid rise in interest rates in 2011, but even should that occur we're not concerned for the BDC industry where most companies are either match funded, or would benefit from an increase in LIBOR rates. We also don't foresee a double dip recession in the new year, but if one should occur most of the BDCs (20 of the 25 we track at least) should perform far better than during the Great Recession thanks to their safer capital structures, stricter underwriting and reduced reliance on short term borrowing.to BDC stock prices. We have constructed an index of the stock prices of all 24 companies we track at month end for the past 6 months. We're calling this the SCM BDC Index.

October 2010 was an almost universally positive month for the 24 companies we track. 23 of the 24 companies increased their stock price at the end of the month over September 30th. Even the one company decliner was only 1 cent!

The Index shows the BDC industry has been up 2 months in a row. The Index was up 5.1% in October, and 8.1% in September.

Over 6 months, though, aggregate stock prices have increased only modestly: from $297.6 at the end of April to $301.9 at month end October. That's only a 1% increase, due to the market meltdown in May/June, caused by concerns over Europe, and fears about a double dip in August. As we write this though, stock prices are moving sharply higher.

BDC II YIELDS AND DIVIDEND OUTLOOK

One of our key goals is to invest in BDCs which pay regular dividends with a yield over 8% and which can be counted on to maintain or increase that pay-out for the foreseeable future. As of December 1, 2010 BDC II has 16 companies in its portfolio. By this point in the year virtually every company has announced its fourth quarter dividend, and we have a clear picture of how this year will turn out. Comparing IVQ 2010 dividend levels to IVQ 2009, the aggregate payout is essentially flat. The existing portfolio, valued at cost, is estimated to generate a gross yield of 10.5% over the next twelve months if there is no change in the dividend level at each company.

However we project the dividend outlook for every company both in the short term (the next quarter) and medium term (4 quarters out). Currently, we project that 14 Buy List companies will maintain their dividend level unchanged and 2 will increase their pay-out in the next quarter.

Looking a year out, we expect 8 of the 16 companies to increase their dividends over the current level, 8 to remain unchanged and none to reduce the dividend. If our projection proves correct, the portfolio at cost will yield 10.7%.