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%
Year Ending - 2010	73.04%	15.07%	16.91%	11.02%	26.85%
January - 2011	7.05%	2.37%	1.78%	2.72%	-0.26%
February - 2011	8.08%	3.43%	3.04%	2.81%	5.48%
March - 2011	-10.39%	0.04%	-0.04%	0.76%	2.59%
Year to Date	**3.67%**	**5.92%**	**4.83%**	**6.41%**	**7.94%**
Inception to Date	**87.24%**	**29.25%**	**31.03%**	**26.84%**	**42.23%**

* 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.

CONTENTS

PAGE 1

MARCH 2011 RESULTS
March ended our six month winning streak.

Page 2 & 3

CASH ON CASH RETURN
Cash on cash return increases to 53.19% since inception.

OUTLOOK 2011 UPDATED
SCM's outlook for the BDC Industry. We project out for the next 12 months into 1Q 2012.

MARCH 2011 RESULTS

March 2011 ended our six-month winning streak. The Fund was impacted by the one-two punch of the Mid-East crisis (Libya and Bahrain) and the Japanese crisis. ***For the month, BDC II was down (10.4%).***

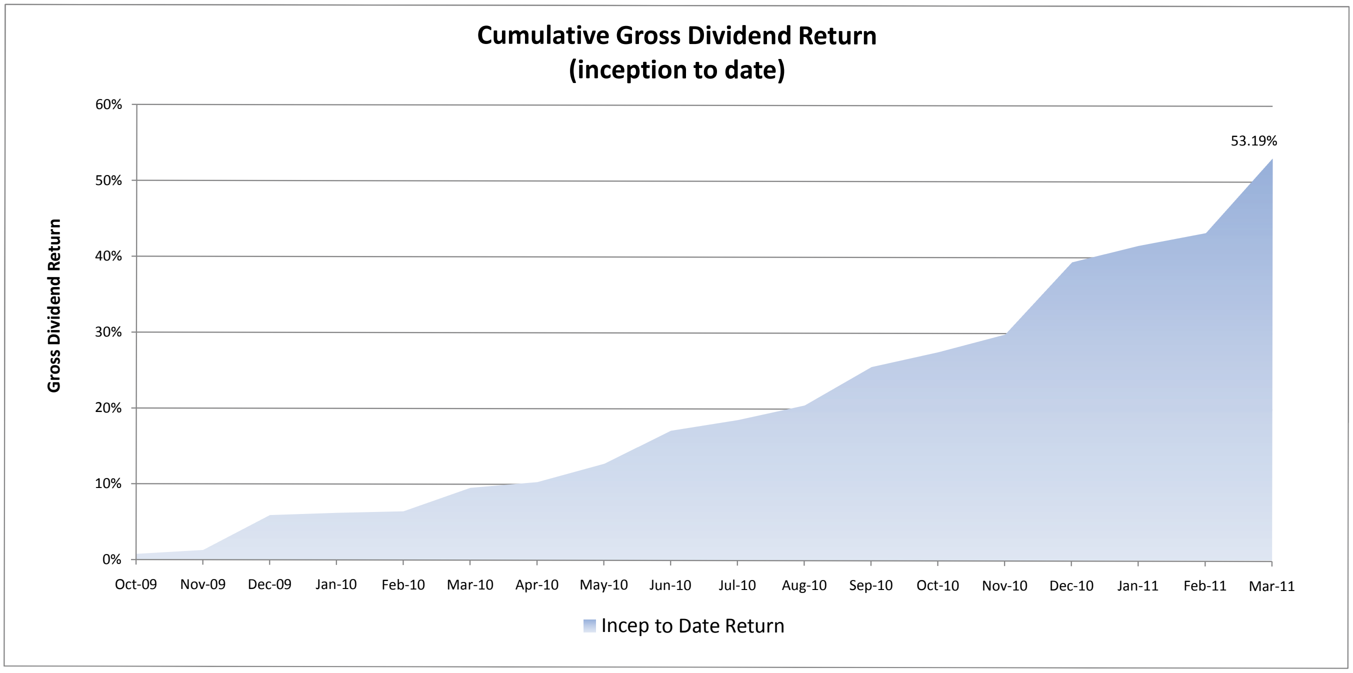
Before we review the numbers and compare ourselves against other indices, we're gratified to report that the projected income of the Fund over the next 12 months, assuming that current dividend levels and margin interest rates remain unchanged, was barely affected by the gyrations of the stock market. ***According to our internal calculations, the Fund's net income (dividends less operating expenses and interest expense) is down only 4%.*** (These projections are prepared by the Manager and have not been validated or reviewed by Partners Admin). ***One year out, if portfolio companies increase dividends as we project, net income should be higher.***

This result was achieved by de-leveraging the portfolio during March to reflect the lower stock prices and to keep within our internal 3:1 leverage target. Portfolio assets at fair market value dropped by 13%, but only 7% on a cost basis. We principally sold off lower yielding investments and portfolio companies that we believed were over-valued according to our valuation model. By doing so, we booked substantial Realized Gains (even after accounting for a loss on a hedging position). We re-invested a portion of the proceeds into above average yields (often above 11-12% per annum) in other Buy List investments that became available because of the volatility in the stock market. ***At month end March, the portfolio was yielding 10.0%, versus 9.8% at the end of February.***

Back to the numbers. The Fund fared worse than the highest performing index (Russell 2000 with dividends reinvested), which was up a remarkable 2.6%, notwithstanding the biggest natural disaster to hit a major developed economy since WWII. The NASDAQ was the lowest performing index compared to BDC II, down (0.04%).

Year to date the Fund has dropped from the front of the pack to the back, with a three-month gain of 3.7%, but the other indices were only modestly ahead, ranging from 4.8% to 7.8%.

Since BDC II's inception 18 months ago, though, we continue to have the leading results, as we have had for



many months. Our Inception To Date Return is 87.2%, twice the second highest index (Russell 2000) at 42.2%, and 60.5% ahead of the lowest performing index (the Down Jones), which is up 26.8%.

CASH ON CASH RETURN

This month, we're introducing a new calculation of the Cash on Cash Return. Our prior methodology was overly affected by the impact of new investments on the returns. Instead, Partners Admin has calculated for us the total value of dividends received on a $1,000 investment made at inception in October 2009. The calculation is before management fees, but after interest and expenses. This so-called Cumulative Gross Dividend Return reached 53.2% at the 18-month mark (see chart above). ***We show this data point to underline one of the key benefits of BDC II for its investors: steady distribution income, regardless of the state of the stock market.***

We continue to project that the Fund should generate Cash on Cash return in excess of 27% per annum (before management fees) over the next 12 months.

OUTLOOK FOR 2011 - UPDATED

We've decided to make our Outlook section a regular feature of our monthly Newsletters. However, we'll only write comments upon any changes from our prior views, to keep you apprised of our evolving thinking about the prospects for BDC II. As we project out on a rolling twelve-month basis, consider this our outlook through the first quarter of 2012.

First, let's look at Fed Funds. For technical reasons related to the QE2 easing, Fed Funds actually dropped from next to nothing to something less than that in March, with the rate at 0.10% at March 31, on the low side of the target range of 0.00%-0. 25%. That was a modest plus for BDC II, resulting in a slight savings on the 0.25% rate we had been assuming. However, we don't expect these microscopically low rates to continue for long.

As for when and how much the Fed eventually raises rates: we continue to project a 0.25%-0. 50% hike by year-end. Our impression, from listening to dozens of Conference Calls and reviewing the filings of BDCs and other lending institutions, is that anything but a modest increase will bring the economic recovery to a screeching halt for all but the largest companies. More on that at the end of this section…

As for BDC portfolio yields, we've reported in the Results section that yields on average are up, helped by the modest pullback in stock prices experienced in March. As a result, we are optimistic that BDC II, through a process of shedding lower yielding stocks and re-investing in higher yield opportunities, might be able to improve gross portfolio yield over the next 12 months above 10.0%. As for net yields, last month we reported that the arbitrage yield between what we earn in dividend yield less margin borrowing cost was a healthy 7.7%. ***This month we estimate the margin has increased to 8.9%. Even with a slightly higher Fed Funds rate, we hope to maintain the net yield over 8.5%.***

The Fund's Buy List has swelled to 22 companies, out of 32 tracked, as improving balance sheets and lower stock prices have created more buying opportunities. We can report that ***8 companies increased their dividend in the latest quarter,*** 12 were unchanged and 2 were new BDCs. Looking forward one quarter, we expect 5 BDCs to increase their dividends, and the rest to remain the same. ***One year out, we continue to project that 15 Buy List companies will have increased their dividends over the current level,*** and only two will decrease their payouts. (Both these potential dividend cutters are already trading at prices that reflect our lowered expectations). In aggregate we expect the gross portfolio yield to increase by 0.3% twelve months out, thanks to the projected higher distribution levels, and not assuming any material increase in rates.

Without belaboring the point, we reiterate our contention that the ***risk adjusted profile of the BDC industry remains in the best shape we've ever seen.*** There have been 6 equity raises in 2011 and an equal number of Convertible Note issues, which have kept leverage levels at record low levels. Moreover, with every passing month refinancings are diminishing the stock of highly leveraged and (sometimes) poorly underwritten period of 2006-2007 on the books of BDCs. Absence of competition from banks and other financial sources, though, are allowing BDCs (especially in the lower middle market) to keep yields at double-digit levels while their own cost of capital is generally decreasing.

We do remain concerned about the long-term growth prospects of 6 BDCs that survived the Great Recession but have not attracted any new equity or debt capital in the past 2 years. However, five of the six have no net debt on their books, and the sixth has paid off all debt due through 2012. Only two of the six are on our Buy List. The two Buy List names are there because they still trade at a significant discount to NAV, and should continue to pay a stable dividend. We'll update you in future Newsletters.

As always, we end with our repeated invocation that we do not know what the direction of the stock market will be, either in April or over the next 12 months. ***However, we feel that as long as BDCs continue to generate improving earnings and increasing dividends any slide in stock prices will be limited.*** Certainly, BDC valuations remain moderate by historic standards; with most of the universe we track trading below 12X, or even 10X 2011 earnings. 2012 earnings projections by the analyst community continue to be even higher than the projection for 2011. When we reviewed the latest stock price of our 22 Buy List companies, half are trading more than 10% below their 52 week high. Moreover, as most BDCs have moved in recent quarters to load up with floating rate assets, higher interest rates may result in a bonanza of higher valuations.

Our greatest concern at this stage is that the Fed will get into inflation fighting mode too quickly, and bungle the unwind of QE2. The upshot might be too rapid a hike in interest rates. The Fund, with its multiple investments in BDCs and Closed End Funds with floating rate assets and thanks to its wide margin spread, can readily absorb higher short-term rates. The risk, though, is that the shock of higher rates, along with the coming austerity measures that will be necessary to reduce the US budget deficit, will result in an economic downturn. ***The knock on effect would be higher levels of non-performing loans for BDCs, and lower than expected incomes.*** Nonetheless, we remain sanguine that the portfolio we have assembled includes the most credit worthy companies in this sector, and don't foresee any meltdown scenarios comparable to the Great Recession, given the low leverage levels, the cleaned up portfolios and the substantial free capital sitting on balance sheets. BDC II, with its highly liquid investments, access to margin borrowing 2X what is currently in use, and in-depth knowledge of every company in this sector, should be able to make lemonade out of any lemons ill-considered actions by the Fed might bring about.

NEWSLETTER

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

Office:
100 Wilshire Blvd., Ste. 950
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.

Follow our Blog at our newly designed site @
www.bdcreporter.com

Follow our articles @
www.seekingalpha.com/author/nicholas-marshi

Twitter us: @bdcreporter