Month	BDC Fund II*	S&P 500 TR	Nasdaq Comp	Dow Jones	Russell 2000 (DRI)
FYE — 2009	4.37%	5.49%	6.91%	7.37%	3.49%
FYE — 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%
April - 2011	6.18%	2.96%	3.32%	3.98%	2.64%
May - 2011	--3.56%	-1.13%	-1.33%	-1.88%	-1.88%
June - 2011	-7.17%	-1.67%	-2.18%	-1.24%	-2.31%
July - 2011	-17.77%	-2.03%	-0.62%	-2.18%	-3.61%
August - 2011	-11.59%	--5.43%	-6.42%	-4.36%	-8.70%
September - 2011	-14.20	-7.03	-6.36	-6.03	-11.21%
October - 2011	-6.45%	10.93%	11.14%	9.54%	15.14%
November - 2011	-7.08%	-0.22%	-2.39%	0.76%	-0.36%
Year to Date	-46.57%	1.08%	-1.23%	4.04%	-4.80%
Inception to Date	-3.50%	23.34%	23.46%	24.02%	25.43%

* 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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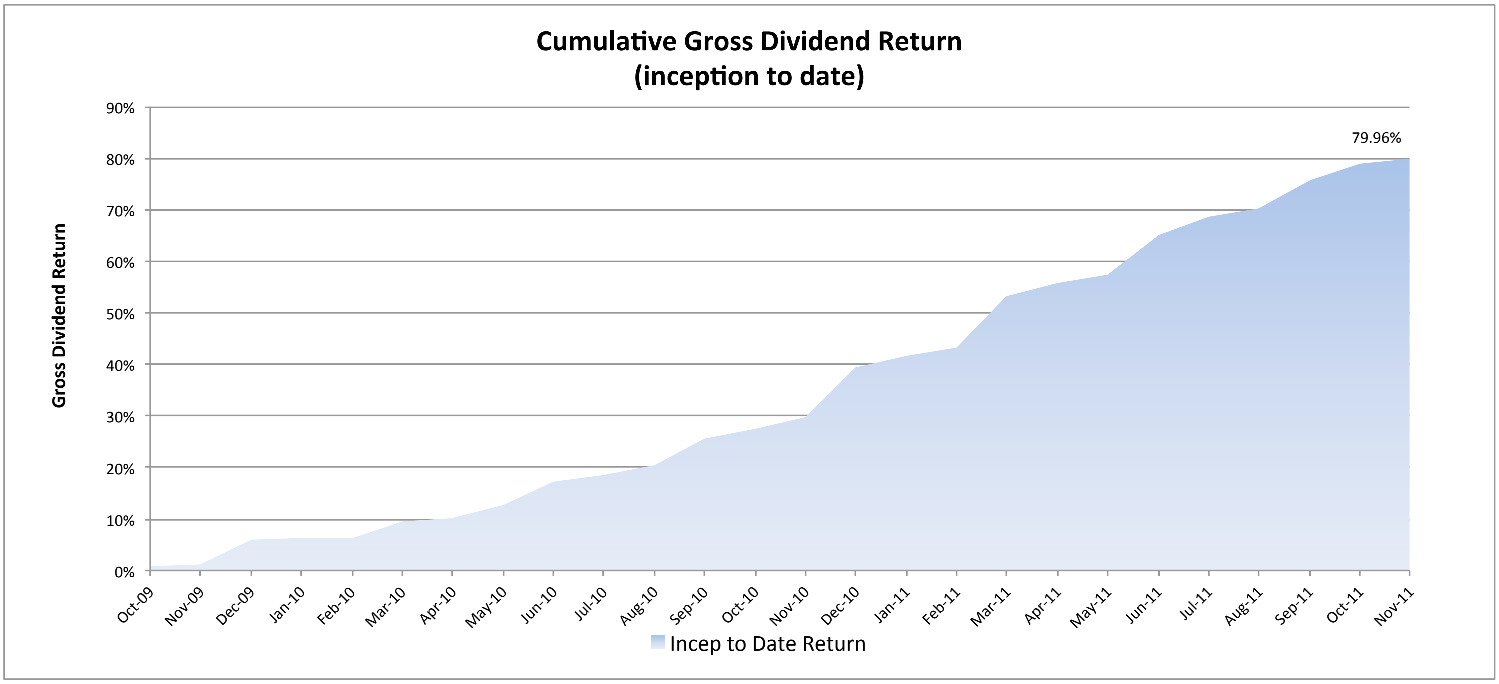
November 2011 Results

November was the seventh down month in a row for BDC II, in line with the stock market pull-back over the same period. Stock prices were up through the first third of November, but dropped back in the remainder of the period as concerns about the Eurozone caused a resumption in the downward trend. The Fund was down 7.08% for the month, compared with 5.7% for the BDC sector (using the results of the newly minted BDC Exchange Traded Fund, with the ticker BDCS). We were able to mitigate the impact of lower BDC prices by de-leveraging the portfolio during November,



and investing a portion of the Fund in less volatile preferred stock and debt investments.

Since the end April, the cumulative drop in the BDC sector has been 19.5% (through November 30th 2011), and reached a nadir of 28% on October 3rd before rallying. The BDC sector, and the Fund, have been affected by the downturn in the financial sector (of which they are a component): down 21.8% between April 30th and November 30, and down 31.1% at the lowest point.

Three of the four general market indices that we have been comparing ourselves since the inception of the Fund were down as well in November. Outside of BDC II, the poorest performing index was the NASDAQ Comp, down 2.4%. The "best" performing index was the Dow Jones up 0.76% for the month.

For the eleven months year-to-date the Fund continued into negative territory: -46.6%. The other indices returns for the last ten months were in a range from -4.8% (Russell 2000 DRI) to 4.04% (Dow Jones).

The Fund's return since inception in October 2009 dipped into the negative column for the first time, down 3.5%. That's behind the other indices which are bunched from up 23.34% (S&P 500TR) to the Russell 2000 (DRI), up 25.43%, over the 26 months under discussion.

The Fund's focus on the financial sector and its use of leverage have depressed returns in the past 6 months, after causing outsized positive returns in the 18 months prior to the current crisis.

CASH ON CASH RETURN

Twenty-six months after the Fund's launch, the Gross Dividend Return continues to climb. **At the end of October 2011, the Fund reached a Cumulative Gross Dividend Return of 79.96% since inception.**

YEAR END MESSAGE

We want to use the opportunity of this last Newsletter to wish all our investors Happy Holidays, and thank them for their faith in us during a very difficult period. We recognize that seven straight months of losses are hard to stomach, regardless of the gains achieved earlier. However, as we've pointed out in the Returns section, the Fund is invested in a sector that is out of favor, and has been in an almost constant downhill path since the late spring. What's more, we borrowed 2 dollars for every dollar of equity to build our portfolio. The result is a short term double whammy which has caused the drop in our equity, and led us to reduce the size of the portfolio to pay down our margin debt. This will mean the Fund will generate lower levels of income which can be dividended out to investors until BDC stock prices begin to rally.

When an upturn will occur is anybody's guess. We could see a jump tomorrow or months from now. We could see a continued robust economic expansion in the U.S. or a global economic recession. At no time in recent memory have there been such disparate potential economic outcomes, which probably accounts for the very high volatility in stock prices in recent months.

The good news is that we have been managing the Fund to ensure, above all, that we will be able to take advantage of every possible outcome, and still achieve superior returns for our investors over time. To that end, we have de-leveraged the Fund in recent weeks, and changed the mix of our investments to include a substantial amount of lower risk, lower volatility debt investments.

If the BDC market should begin to recover, we are positioned to take advantage of higher stock prices by tapping our unused borrowing capacity with our margin lender and by selling off our debt investments for equity investments. Our calculations show that if stock prices return to the pre-crisis level, the Fund's equity value and income should both reach record levels.

Even if BDC stock prices only gain back a portion of the ground lost in recent months, the Fund's total return from capital appreciation and dividend income should bring the Fund back to its prior "high water mark" within a matter of months.

On the downside, the Fund is also positioned, thanks to our de-leveraging, to take advantage of any buying opportunity that might occur if there is a major crisis of confidence in the BDC sector, and stock prices drop sharply. The last time there was a dramatic market drop, in 2008-2009, investors in beaten down BDC stocks realized capital appreciation of 100% - 300% when confidence returned.

So much for the dramatic up and down scenarios. The Fund should also benefit even if stock prices remain stuck in a narrow range. Despite de-leveraging and investing a greater proportion in debt investments, the Fund should still continue to generate very high levels of income. That income, if it remains unchanged, should increase the Fund's capital by double digit levels every year.

Underpinning our confidence that the Fund can succeed in any potential environment is the performance and outlook of the BDC sector, notwithstanding the gloom in the stock market. Our ongoing review of the business prospects, liquidity and creditworthiness of the BDC companies on our Buy List and in our portfolio continues to show that all are performing well. More importantly, all the companies appear capable of continuing "business as usual" throughout any potential recession, and with only modest (if any) reductions in income and dividend payment levels. Validating our optimism are the numerous analysts covering the sector who are projecting that ALL the BDCs we have on our Buy List will post higher earnings in 2011 than in 2010, and even better results in 2012. In fact, half of the companies have seen their earnings estimates for 2012 increased by the analysts covering them in the last 90 days, despite the troubled economic environment. This bodes well for BDC values under either an economic expansion or a recession.

The last few months have been humbling and difficult, but we end 2011 and look to 2012 with confidence. We look forward to many more years of investing in the BDC sector, which we continue to believe offers the opportunity for superior returns for those prepared to take a long term view.

HAPPY HOLIDAYS!

NEWSLETTER

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

Office

100 Wilshire Blvd., Ste. 950
SantaMonica, CA 90401

Tel: 800.579.1651

Nicholas Marshi
Chief Investment Officer

Email:
nmarshi@southlandcapitalmanagement.com

Bill Hansen
Chief Marketing Officer

Email:
bhansen@southlandcapitalmanagement.com

Visit Us @

www.southlandcapitalmanagement.com

Accredited investors:

Please contact us for login information

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