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%
April - 2011	6.18%	2.96%	3.32%	3.98%	2.64%
Year to Date	**10.08%**	**9.06%**	**8.32%**	**10.65%**	**10.79%**
Inception to Date	**98.80%**	**33.07%**	**35.39%**	**31.89%**	**45.98%**

* 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

APRIL 2011 RESULTS

April 2011 was a bounce back month for BDC II, after a reversal in March. We were up 6.18 % for the month, helped by increasing optimism about the U.S. economy after concerns about the impact of the Japanese disaster and turmoil in the Middle East faded. We were never concerned about the medium term performance of BDC II in March because all the fundamentals of the leveraged finance industry were so sound, but it's encouraging to witness such a rapid bounce back.

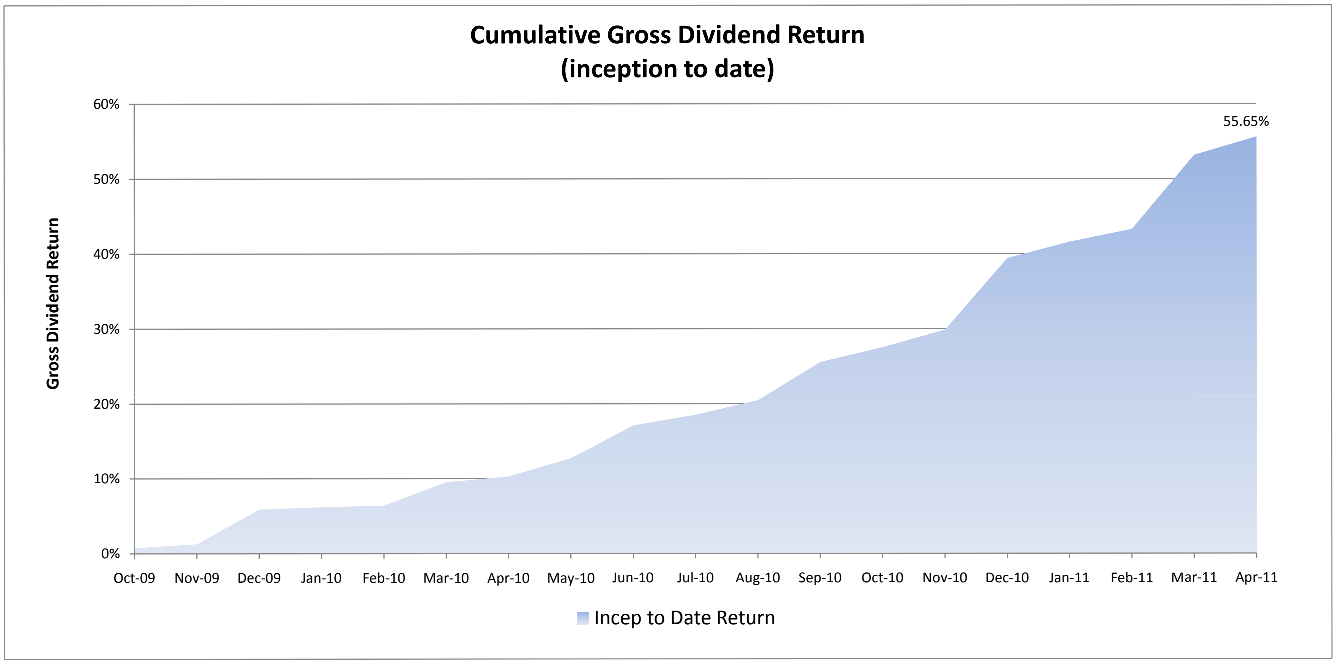
Once again, we were ahead of all the indices we are compared again. ***Our 6.18% gain for the month was substantially above the highest performing index - the Dow Jones - which was up 3.98%.*** The Fund's April result was nearly three times the lowest performing index (Russell 2000 with dividends re-invested), which came in at 2.65%.

With 4 months of 2011 behind us, the Fund is up a very encouraging 10.08%, in the middle of the pack by comparison with the indices. Year to date the leading index is the Russell 2000 with a gain of 10.79%. Still, we're ahead of the NASDAQ and the S&P 500 by a healthy margin.

Finally, ***the Fund's return since inception nineteen months ago is 98.80%.*** Our result is more than double the closest performing index, which again is the NASDAQ, with a gain of 45.98% over this period. BDCII's return is triple the results achieved by the other three indices as the Table above shows. The nearly 100% return in such a relatively short period demonstrates that our strategy of using moderate leverage on a broad portfolio of high dividend paying BDCs has paid off handsomely.

CASH ON CASH RETURN

A chart is worth a thousand words, so please check out the attached ***Cumulative Gross Dividend Return, which tops out after nineteen months at 55.65%.*** For those who are new to the Newsletter or who don't remember last month's snippet on this subject, that's a calculation prepared by our independent administrator that shows the dividends received by an investor since the



inception of the Fund, net of margin interest and operating expenses but before a deduction for management fees. This net interest is expressed as a percentage of an original investment made in October 2009, when the Fund launched. Last month, this so called Cash on Cash Return was at 53.2%.

OUTLOOK FOR 2011 - May UPDATE

We've promised to update you only on changes in our Outlook for 2011 where there is something new to talk about. There are just 3 main items this month:

1. Last month we mentioned that the Fed Funds rate was at all-time low, but added that "we don't expect these microscopically low rates to continue for long". We also expressed our concern that the Fed might seek to unwind QE2 too quickly and cause " too rapid a hike in interest rates". However, after the weak GDP results, a still stubbornly high unemployment rate of 9.0%, the decision of the European Central Bank and the UK not to raise interest rates and the swoon in commodity prices (which may ease inflation concerns), we've become more bullish that very low Fed Fund rates may continue longer than we thought just a month ago. ***We'll stick our neck out and say we don't expect a material (i.e. greater than 0.5%) increase in the Fed Funds rate until 2012 at the earliest.*** In some ways the Fed is a prisoner of its own generous bargain basement rate policy and cannot afford to raise rates without endangering what is still a modest recovery.

   For BDC II that means the very low margin rate we have been enjoying for the life of the Fund should continue at least another 6 months at least. Moreover, we are reassured to see that lower rates are helping the BDCs portfolio companies reduce their borrowing costs. The result is that we've seen from the numerous BDC earnings reports that have come out for the first quarter of 2011 that cash flow coverage ratios of debt service continue to improve, even in the face of a slow economic recovery. That means the risk of corporate defaults continues to tumble. In the lending business that BDCs operate in, that's very good news.

2. ***The BDC industry is getting bigger.*** In the last few weeks there have been two new BDCs going public, both of them targeting floating rate senior loan assets. The new BDCs are sponsored by large asset managers with existing BDCs (both of whom are on our Buy List). Moreover, we have learned that two other another well-known private leveraged lenders are coming to market in the weeks ahead. From our perspective, the addition of new BDC companies provides the Fund with a bigger pool of potential investments, and aids our diversification.

3. Also, in the past 4 weeks we have witnessed (and commented on in our website www.bdcreporter.com) ***the launch of both an Exchange Traded Note (ETN) and an Exchange Traded Fund (ETF), based on an index of BDC companies.*** These vehicles allow investors to purchase a basket of BDC stocks, both for dividend income and capital appreciation. We welcome these new ways of investing in the BDC market because the result will be greater liquidity and (potentially) higher multiples paid for the industry. We have the impression that there are numerous other financial innovations planned in the BDC space in the months ahead.