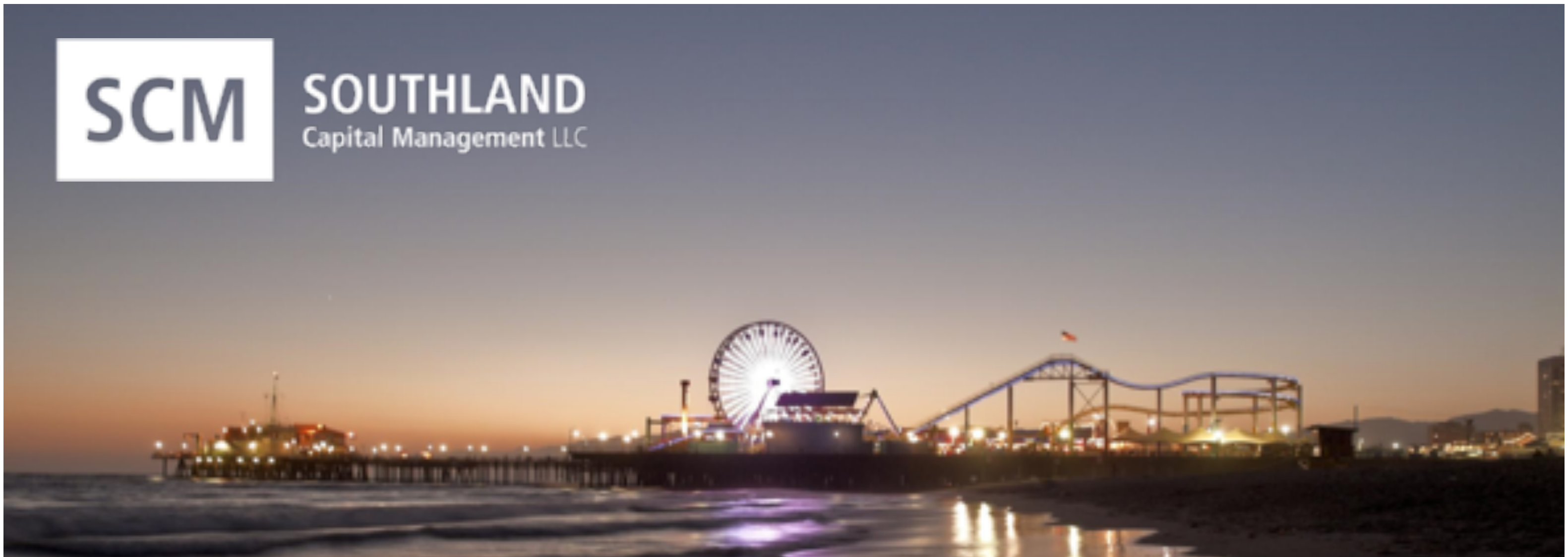

Month	BDC Fund II*	HFRI EHI	S&P 500 TR	Dow Jones
April - 2015	0.75%	2.04%	0.96%	0.36%
March - 2015	-0.46%	0.31%	-1.58%	-1.97%
February - 2015	5.79%	2.76%	5.49%	5.64%
January - 2015	-3.53%	-0.62%	-3.00%	-3.69%
FYE - 2014	-12.52%	2.26%	13.69%	7.52%
FYE - 2013	13.20%	14.33%	32.39%	26.50%
FYE - 2012	28.21%	7.41%	16.00%	7.26%
FYE - 2011	-46.38%	-8.38%	2.11%	5.53%
FYE - 2010	73.04%	10.45%	15.06%	11.02%
FYE - 2009	4.37%	2.92%	6.04%	7.37%
YTD - 2015	**2.35%**	**4.12%**	**1.92%**	**0.10%**
Inception to Date*	**25.90%**	**35.52%**	**121.70%**	**83.69%**
1/1/12 - Date**	**24.60%**	**30.11%**	**77.95%**	**46.03%**

* 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. The indices included above are presented only to provide a general indication of U.S. Stock market performance for the periods indicated and not as a standard of comparison because they are unmanaged, broadly based indices.

**Represents investor with initial contribution of 1/1/12. (After revised investment strategy.)

April 2015 Results

The fund was up month in April. The Fund was up +.75% while the Hedge Fund Index (HFRI) was up +2.04%.

The S&P TR closed up .96% while the Dow Jones was up 0.36%.

Inception To Date, BDC II is up +25.90%. We are behind the HFRI, which is up +35% during this period, and behind the two stock market indices, which have been the biggest beneficiaries of the post Great Recession financial boom. The Dow Jones is up +84% and the S&P 500 up +122% in the 5 years involved.

The Fund's performance from January 2012, since changing investment strategy and risk management policies, is more reflective of what we believe BDC II can achieve over the long term. In the 40 months since the change in direction, the Fund is up 25%, after all fees and expenses. The Fund is even with the HFRI (hedge fund index), which is up 30%. We fell behind the Dow Jones, which is up 46% and trails the S&P 500 (as does most every other index in every asset class): up 78%.

UPDATE THROUGH APRIL 2015

Here's the story so far in the first 4 months of 2015 for Business Development Company stocks. After an awful 2014 when the stocks we track dropped 13% in price terms (nearly two-thirds of which occurred in the first two weeks of December as an early Christmas present), 2015 began even worse. The BDC Sector dropped another 3.2% to reach a 2.5 year low on January 15th. Virtually every BDC stock was down in price terms from a year earlier regardless of performance, yield or outlook. All this while the major stock indices marched on to new highs.

Finally, after 28 weeks of downdraft, the BDC Sector rebounded starting in mid-January, gathering steam in February and peaking on March 5th. In those 6 weeks, the BDC Sector recovered one-third of the ground lost since January 2014. Many BDCs recovered most or all the price losses of that "annus horribilis" ("horrible year"), but others did not.

In the rest of March and April (and May as well, to be as current as possible) the BDC Sector has been a "sideways market", going neither very much up or down. As we write this, the BDC Sector is less than 2% off the March 5th level, and was just 1% off at the end of April. On a Year-To-Date basis for the first 4 months of 2015, the BDC Sector was up 1.1% in price (much more when you include dividends paid out) versus 1.3% for the S&P 500.

POSITIONING THE FUND

After getting sideswiped in December 2014 by the biggest single drop in BDC prices in a single day and in a two week period since the Euro-crisis of 2011, we were more cautious in early January. Although the instinct after big drops in sector and Fund values is to run completely to the sidelines, we did not. We felt, with good reason as the January-March rally proved out, that prices had fallen too much and were ready for a rebound. Not coincidentally that rebound began on the first day of BDC earnings season. As a result, the Fund participated in the lift-up in prices, which contributed to our 5.8% return in February, which exceeded all the other indices.

However, we realized-as the rally petered out-and as we reviewed the BDC earnings releases and surveyed the credit markets generally- that there was unlikely to be a full rebound in the BDC Sector to prior highs. At the March 5th peak BDC Sector prices were still below the level prior to the December massacre (as we fondly call those first 2 weeks of December 2014). We noted that a similar phenomenon was underway in the High Yield and Floating Rate Loan markets.

AS GOOD AS IT GETS?

We came to the conclusion that the markets-6 years into an

economic expansion-are probably undergoing a revaluation of credit investments in anticipation of higher interest rates down the road; pressure on loan spreads thanks to the flood of money available and the possibility that our slow-growth economic expansion might slip into recession down the road. We decided in early March that a further rally in BDC Sector prices was unlikely, even though we were still more than 12% underneath the level before the price pull-back.

As a result, we rebalanced the composition of the Fund's portfolio in early March. We reduced our exposure to BDC common stocks substantially by taking profits. Instead, we increased BDC II's weighting of BDC Notes. Furthermore, as some BDC prices had run up, we took a number of "short" positions when we believed a company was becoming over-valued in the "new normal" conditions of 2015.

WHY BDC NOTES ?

Of course, as any regular reader of the Newsletter knows, we've been investing in BDC Notes since 2012. What began as a market consisting of a handful of issues has become a multi billion segment with over 40 publicly traded debt issues. Like stocks, BDC Notes have a ticker symbol and trade in the market. Unlike BDC common stocks, though, the Notes price levels have been very stable over the past 3 years, rarely moving more than a fraction of 1% in any month. By contrast BDC stock prices can easily move 3%, 5% or even 9% in a 30 day period and individual issues can swing 10-15% in a single day.

We also like the steady dividend yield paid out by the BDC Notes of around 7% on average. That's still below the 9.5%-10.0% average for BDC common stocks, but a fair return. When you consider that the Fund can leverage BDC Notes using our 1% margin borrowing, our gross yield on a 2:1 leverage basis is 13% net of interest cost. That's better than what BDC common stocks generate and given our current conclusion that BDC stock prices are unlikely to materially appreciate in the short term a higher risk-adjusted return.

Best of all, BDC Notes are almost bulletproof from a credit standpoint. The Notes sit relatively high up on a Business Development Company's balance sheet, below any secured debt but above all equity. Given that BDC regulations limit the amount of leverage a company can load onto its balance sheet, that means the BDC Notes have a substantial amount of asset coverage at all times. When we did our analysis we found that –on average- every $1 of BDC Debt outstanding was covered by more than $5 of portfolio assets, even after any amounts due to secured lenders was deducted. No wonder most of the BDC Notes are rated investment grade, usually BBB by the rating agencies.

STRAIGHT TALK

We recognize that in 2014 we were too optimistic, and were caught flat footed by the December drop, even though we'd been able to stay one step ahead of the declining BDC Sector for eleven months of the year. We are intent on making up those losses and more, but we've avoided the temptation to "double down" on BDC common stocks in this environment. Instead, we believe the Fund can return to the above average returns achieved in prior years even in the absence of a rising BDC common stock market with our current strategy, and with far less risk of another major drawdown.

For the past 3 months, 80% of the Fund's assets have been in BDC Notes. During that period, BDC Note prices have moved in aggregate less than 0.1% in any month and overall. We continue to have a few BDC common stock "Long " positions, and an almost equal number of "short" positions, which protects against a 2014-like price drop.

We are targeting a gross annual yield in excess of 20% from the distributions of the Notes, common stock and other credit investments we hold when fully invested, but with far, far less daily and monthly volatility in prices than experienced historically. That's been our experience since making the shift and we expect the stability to continue through the year. For all of 2015 the Fund is targeting a total return-after all fees and expenses,-in the mid-teens. With the stock markets at all-time highs, and the US economy barely grinding out GDP gains we believe that the Fund-with the bulk of its assets in investment grade assets-is one of the safest investments one can hold.

NOTHING LASTS FOREVER

One day opportunities for capital appreciation will open up more widely in the BDC common stock space again (in 2010 we were up over 73%-lest anyone forgets). At that point we will reconfigure the Fund's portfolio to take advantage of the opportunity. In the interim, though, we believe our focus on a highly diversified pool of short to medium term BDC Notes-and a few select stocks- in companies we know backwards and forwards is going to generate "Steady Eddy" returns for BDC II, even if the BDC Sector remains flat or pulls back further as we anticipate. The stock market has had 6 remarkable years of price appreciation, but as the BDC Sector illustrated last year, stock prices can give up those gains very quickly and unexpectedly. In our view this is a good time in the economic cycle for investors-and BDC II-to play "defense", and that's what we're doing.

ON A SIDE NOTE

We have moved our offices from Santa Monica to 1600 Rosecrans Ave. in Manhattan Beach. We are now in the same building as PartnersAdmin and Weaver Tidwell, LLC, our service providers.

BDC REPORTER REVAMP

We recently updated SCM's "BDC Reporter" with a new streamlined design (www.bdcreporter.com). We have been adding hundreds of subscribers to our Daily Newsletter, and have a readership that includes many of the industry insiders, journalists, as well as numerous institutional and retail investors. If you haven't checked out The BDC Reporter recently, we suggest having a look.

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