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Sankaty Advisors

December 2, 2010

Dear Sankaty Credit Opportunities II Investor,

We are pleased to report that COPs II returned 5.9% gross and 5.4% net of all fees and expenses in the third quarter, resulting in year-to-date returns of 21.8% gross and 19.9% net. The NAV for COPs II has now increased to 1.0x net on an estimated basis. The Fund completed its reinvestment period and resumed distributions, returning $100 million to all Limited Partners in May, an additional $100 million in October and another $125 million in the fourth quarter. More importantly, relative to a year ago, we feel more optimistic about the band of potential outcomes for the Fund, and we continue to believe that the Fund will generate attractive profits over the next few years.

Market Review

In the third quarter, the leveraged loan and high yield markets rebounded from their negative performance in the second quarter. Attractive refinancing opportunities lured issuers into the market as they continued to chip away at near-term loan maturities. Heavy institutional inflows into the asset class matched the new issue supply as economic data, corporate earnings and defaults all trended better. Consequently, strong, positive momentum characterized the credit markets in the third quarter.

While much has been written about the record high-yield new issuance in 2010 and how it has helped many borrowers push out maturity dates extending their day of reckoning, the fact remains that over $160 billion of 2012-2013 outstanding debt maturities have yet to be addressed. The majority of these are good businesses that are simply overlevered, which challenges the ability to refinance. Even for those 2010 high-yield issuers fortunate enough to push out their maturities, many have not changed the over-leveraged nature of their balance sheets. In fact, CCC high-yield issuance has continued to trend upwards in 2010, which we anticipate will generate substantial new distressed opportunities. While we continue to see opportunities in the current environment, we believe that the recent new issuance as well as the existing stock of distressed credits will fuel a robust distressed cycle over the next 2-4 years, especially if the economic recovery remains relatively weak.

Portfolio Review

The Fund's structured investments continued their upward trajectory in the third quarter, generating roughly 45% of returns. The Fund's CLO portfolio has benefited substantially from the credit rally with Nash Point and Chatham Light II showing the biggest gains and continuing to make cash distributions. Given the low default rate environment and high recovery rates, the CLO portfolios should continue to generate strong returns over the coming year.

After a relatively flat second quarter, the Fund's publicly traded credit assets had a strong third quarter. As has been the case over the past 12 months, our less liquid names delivered outsized gains relative to the market. Manchester United's strong performance on the pitch and its surrounding sale rumors sparked a rally in the PIK loans, while JW Aluminum's notes increased on its improved financial performance and the recovering outlook for commodities. In public equities, both Sensata and MEG Energy benefited from the equity market rally in the quarter. In addition, we exited our Pactiv position after the stock price increased in conjunction with its announced sale to Reynolds Group.

The table below highlights the Fund's year-to-date outperformance of its liquid credit benchmarks in both loans and bonds.

COPs II YTD Liquid Credit Performance				
	Avg % of Portfolio	YTD ROA	YTD Index	
Loan	36%	31.0%	6.8%	LSTA
Bond	64%	18.1%	11.4%	JPM HY
Total	**100%**	**22.4%**		

Our middle market portfolio companies remained active in the third quarter, contributing to performance. Latrobe Steel refinanced our subordinated notes, but we still hold a meaningful equity stake that continues to benefit from the recovery in that business. In addition, Fieldbrook Farms was sold in October, resulting in a 33% IRR and 6x multiple on our equity investment. Finally, our portfolio companies continue to make strategic acquisitions, which will benefit our equity positions in these credits. For example, Davis Petroleum bought three small operations in the third quarter as well as one large portfolio of producing assets. These acquisitions were at very favorable economics when compared to drilling new wells and will contribute meaningfully to future profitability. We have four other companies with pending acquisitions from which our portfolio companies would reap the benefits of cost synergies as well as enter new market segments.

Outlook

Overall, the Fund's portfolio companies remain well positioned, and we anticipate a number of capital market events over the next 12-18 months. We will look to exit opportunistically our liquid investment portfolio as price targets are achieved, and distribute proceeds accordingly.

In an effort to continue to provide better service to our partners, we are pleased to welcome two new senior professionals to our Investor Relations team, Dorothy Crocker (dcrocker@sankaty.com) and Tom Sargeant (tsargeant@sankaty.com). Dorothy will be based in our New York City office while Tom joins the Sankaty team in London, which will enable us to provide more timely service to our European and international investors.

Attached is a snapshot of the current portfolio and our positioning. As always, we are available to discuss any of this information or answer any questions you may have. Please feel free to contact us directly.

Sincerely,

Sankaty Advisors

SANKATY CREDIT OPPORTUNITIES II, LP
STATISTICAL SUMMARY
(as of September 30, 2010)

STATISTICAL ANALYSIS*[1,2]

	Q3 2010 Gross Return	Q3 2010 Net Return	2010 Gross Return	2010 Net Return	Sharpe Ratio
Sankaty Credit Ops II	5.9%	5.4%	21.8%	19.9%	0.25
S&P 500 (w/ dividends)	11.3%	11.3%	3.9%	3.9%	0.02
JPM HY Index	6.3%	6.3%	11.4%	11.4%	0.50
LSTA Loan Index	3.3%	3.3%	6.8%	6.8%	0.27

* Net returns are net of all fees, expenses and carry.

TOP ISSUERS[3]

Top 10 Issuers (excluding Mezzanine & Structured)

Issuer	Fund Net Equity (%)
Manchester United	3.3%
United Components	3.3%
Rexnord	1.9%
JW Aluminum	1.8%
CRC Health	1.1%
Sensata Technologies B.V.	1.1%
Camaieu	1.0%
Ariel	1.0%
Outback Steak House	0.9%
MEG Energy Corp.	0.9%

Top 5 Mezzanine Issuers

Issuer	Fund Net Equity (%)
Davis Petroleum Corp.	2.5%
Restaurant Technologies	2.3%
Continental Cement	2.2%
Logan's Roadhouse	1.8%
Lighthouse Equity Partners (Mezz) - Transilwrap	1.3%

Top 5 Structured Issuers

Issuer	Fund Net Equity (%)
Race Point III	3.0%
Nash Point	2.9%
Beach Street V	2.5%
Chatham Light II	2.1%
Sankaty II	1.3%

FUND NET EQUITY ($m)

	06/30/10	Profits	Net Contributions/ (Distributions)	09/30/10
Partners' Capital	$1,041.0	$57.6	$0.0	$1,098.6

ITD Contributions	ITD Distributions	Net IRR*	Net Multiple*
$1,350.0	-$235.7	-0.34%	0.99

*Net IRR and Multiple are net of all fees, expenses and carry

BALANCE SHEET (MV in $m)

	Long (A)	Short (B)	Net (A)-(B)	Gross (A)+(B)
Cash	$153.1	$0.0	$153.1	$153.1
Collateral (Restricted Cash)	65.5	0.0	65.5	65.5
	$218.6	$0.0	$218.6	$218.6
By Asset Class				
Loans	$104.6	$0.0	$104.6	$104.6
Bonds	193.0	0.0	193.0	193.0
CDS/LCDS[3]	17.4	6.0	11.4	23.4
Mezzanine (Private Debt)	317.5	0.0	317.5	317.5
Equity (Public & Private)	86.3	0.0	86.3	86.3
Structured[3]	235.8	0.0	235.8	235.8
	$954.6	$6.0	$948.6	$960.6
By Region				
North America	$805.5	$4.2	$801.3	$809.7
Europe	149.1	1.8	$147.3	$150.9
Other	0.0	0.0	$0.0	$0.0
	$954.6	$6.0	$948.6	$960.6
By Industry				
Non-Industry Specific	$226.1	$0.0	$226.1	$226.1
Financial Intermediaries	92.2	0.0	92.2	$92.2
Oil and Gas	80.4	0.0	80.4	$80.4
Automotive	70.2	0.0	70.2	$70.2
Conglomerates	51.8	0.0	51.8	$51.8
Retailers (other than food/drug)	42.0	0.0	42.0	$42.0
Healthcare	35.7	0.0	35.7	$35.7
Food Products	35.7	0.0	35.7	$35.7
Food Services	37.1	1.8	35.3	$38.9
Business Equipment and Services	32.2	0.0	32.2	$32.2
Other	251.2	4.2	247.0	$255.4
	$954.6	$6.0	$948.6	$960.6
**Exposure (% of Equity)	86.9%	0.5%	86.4%	87.4%

**Exposure % is based off of total assets excluding cash

1 Portfolio returns are computed based on the change in value during the period of a theoretical investment made at the beginning of the period. The change in value of a theoretical investment is measured by comparing the aggregate ending value of Limited Partners with the aggregate beginning value adjusted for cash flows related to capital contributions or withdrawals during the period. Returns are geometrically linked on a monthly basis. Investment performance results depict the return of the Limited Partners of the Partnership as a whole. Returns of individual Limited Partners may differ based on the timing of contribution to or withdrawal from the Partnership. Investment performance reflects the reinvestment of profits, dividends and income. Net returns are stated net of all fees, expenses and carry (see footnote 2). Returns are as of September 30, 2010 and are based on unaudited quarterly financial statements. As with all unaudited estimates, these estimates are subject to uncertainties and variations and may not be predictive of final results once audited. Actual outcomes and results may differ materially from the returns indicated herein.

2 Generally, the General Partner is entitled at year-end to a carry allocation equal to 20% of Net Profits for such fiscal year as discussed in the Limited Partnership Agreement. For purposes of presentation herein, the carry allocation has been included as a periodic expense and has been calculated on the Net Profits for the period. The Management Fee is a quarterly fee paid to Sankaty Advisors, LLC generally equal to 2% of each Limited Partner's capital account at the beginning of each quarter.

3 Single name CDS/LCDS, Tranche CDX, LCDX, Structured CDS and Index CDX/LCDX are included at notional value plus mark to market, indicative of the long or short market risk related to these exposures.