

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

ACT II CAPITAL, LLC

March 28, 2011

Act II Capital, LLC
444 Madison Avenue, 24th Floor
New York, NY 10022
Tel: 212-247-2990
Fax: 212-957-0073
Website: N/A

This brochure provides information about the qualifications and business practices of Act II Capital, LLC. If you have any questions about the contents of this brochure, please contact us at 212-247-2990 or dkatz@actiipartners.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Act II Capital, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

ITEM 2

MATERIAL CHANGES

Act II Capital, LLC (“Act II Capital”) is required to identify and discuss any material changes made to its Brochure since the last annual update. This Brochure is Act II Capital’s first Form ADV Part 2A submitted to the SEC pursuant to amendments made to certain rules promulgated under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and the form formerly known as Form ADV Part II. Act II Capital previously provided to its clients a Form ADV Part II, dated March 31, 2010 (the “Old Part II”), which was used as a basis for certain disclosure provided in this Brochure. Differences between the Old Part II and this Brochure are generally attributable to the new disclosure rules and the new form, and not to any material changes in the qualifications or business practices of Act II Capital. Accordingly, there are no material changes to report. If Act II Capital makes any material changes to this Brochure, this section will be revised to include a summary of such changes.

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ITEM 4

ADVISORY BUSINESS

A. General Description of Advisory Firm.

Act II Capital, a limited liability company organized under the laws of the State of Delaware, commenced operations in 2002 and currently has an office in New York, New York. As of January 1, 2011, the principal owners of Act II Capital included Dennis H. Leibowitz (51%) and Darren Sardoff (35%).

B. Description of Advisory Services.

1. Advisory Services.

Act II Capital serves as the general partner with discretionary trading authority to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis, including Act II Partners, L.P., a Delaware limited liability partnership (the “Domestic Fund”). Act II Management, L.P., a Delaware limited partnership and an affiliate of Act II Capital (“Act II Management” and, together with Act II Capital, “Act II”) serves as the investment manager with discretionary trading authority to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis, including (i) the Domestic Fund, (ii) Act II Offshore, Ltd., a Cayman Islands exempted company (the “Offshore Fund”) and (iii) Act II Master Fund, Ltd., a Cayman Islands exempted company (the “Master Fund” and, together with the Domestic Fund and the Offshore Fund, the “Funds”). The Domestic Fund and the Offshore Fund invest substantially all of their assets through a “master feeder” structure in the Master Fund.

As used herein, the term “client” generally refers to each Fund.

2. Investment Strategies and Types of Investments.

Act II manages a long-short equity strategy focused on bottom-up, in-depth fundamental analysis in the media, leisure, Internet consumer, technology, business services and telecommunications sectors across all capitalizations globally. See Item 8A for further details relating to Act II’s investments strategies and types of investments.

The descriptions set forth in this Brochure of specific advisory services that Act II offers to clients, and investment strategies pursued and investments made by Act II on behalf of its clients, should not be understood to limit in any way Act II’s investment activities. Act II may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Act II considers appropriate, subject to each client’s investment objectives and guidelines. The investment strategies Act II pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

C. Availability of Customized Services for Individual Clients.

Act II's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering and governing documents.

D. Assets Under Management.

As of February 28, 2011, Act II managed approximately \$338,700,000 on a discretionary basis. As of February 28, 2011, Act II did not manage any assets on a non-discretionary basis.

ITEM 5

FEES AND COMPENSATION

A. Advisory Fees and Compensation.

The fees applicable to each Fund are set forth in detail in each of the Fund's respective offering documents. A brief summary of those fees is provided below.

1. Domestic Fund

The Domestic Fund pays to Act II Management a fixed advisory fee (the "Domestic Fund Management Fee") payable quarterly in arrears equal to (a) 0.25% (1.0% on an annualized basis) with respect to limited partners first admitted prior to July 1, 2007, and (b) 0.5% (2.0% on an annualized basis) with respect to limited partners first admitted on or after July 1, 2007, in either case, of each limited partner's capital account as of the last day of the fiscal quarter.

Act II Capital is generally entitled to 20% of the excess of the net capital appreciation allocated to a limited partner's capital account for such fiscal year over the Management Fee debited to such limited partner's capital account for such fiscal year (the "Incentive Allocation"). Act II Capital is allocated the Incentive Allocation with respect to a limited partner's capital account only if such limited partner's capital account has recovered any net capital depreciation allocated to it for prior years.

Act II may, in its sole discretion, reduce, waive or calculate differently the Domestic Fund Management Fee or the Incentive Allocation with respect to any limited partner, including without limitation, any affiliate of Act II.

2. Offshore Fund

The Offshore Fund pays Act II Management a management fee (the "Offshore Fund Management Fee") and, together with the Domestic Fund Management Fee, the "Management Fee"), payable quarterly in arrears equal to (a) 0.25% (1.0% on an annualized basis) of the net asset value (the "NAV") of each series of shares held by investors that became shareholders prior to July 1, 2007 and (b) 0.5% (2.0% on an annualized basis) of the NAV of each series of shares held by investors that became shareholders on or after July 1, 2007, in either case, determined as of the last day of each fiscal quarter.

Act II Management generally receives an incentive fee (the "Incentive Fee") and, together with the Incentive Allocation, the "Performance Compensation") from the Offshore Fund of 20% of the increase of the NAV of each series of Class A Shares, determined as of the last day of each fiscal quarter. An Incentive Allocation will only be paid with respect to the appreciation in excess of the "Prior High NAV" of such series of Shares. The Prior High NAV of a series of Shares is the NAV of such series as of the first Business Day immediately following the date as of which the last Incentive Fee with respect to such series was determined (or if none has been determined, as of the initial offering of such series). The Prior High NAV of a series will be reduced pro rata for interim-year redemptions.

Act II Management may reduce, otherwise modify or waive the Offshore Fund Management Fee and/or Incentive Fee with respect to any Shareholder.

B. Payment of Fees.

Fees and compensation paid to Act II by the Funds are generally deducted from the assets of such Funds. As discussed above, Management Fees are generally deducted on a quarterly basis and Performance Compensation is generally deducted on an annual basis.

C. Additional Fees and Expenses.

A Client may bear some or all of the following expenses:

Each client bears its own expenses relating to its operations, including, without limitation, fees and expenses of its administrator and of the members of its Board of Directors; Management Fees; Incentive Fees; investment-related expenses (*e.g.*, expenses related to the investment of the client's assets, including, without limitation, brokerage commissions, prime broker fees, interest on margin accounts and other indebtedness, custodial fees, bank service fees and interest expenses); investment-related travel expenses; legal expenses; professional fees (including, without limitation, expenses of consultants and experts); accounting, audit and tax preparation expenses; costs of printing and making reports and notices; entity-level taxes; corporate licensing fees; regulatory expenses (including filing fees); other expenses associated with the operation of the client; offering expenses; and any extraordinary expenses.

D. Additional Compensation and Conflicts of Interest.

Neither Act II nor any of their supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

Wall Street Access ("WSA") and Capstone Investments ("Capstone"), each of whom is a registered broker-dealer, are investors in the Domestic Fund. Such investment may provide Act II with financial and other incentives to select WSA and Capstone to effect securities transactions for clients. Nonetheless, Act II is committed to the appropriate selection of broker-dealers to effect securities transactions for clients in accordance with the procedures described herein.

ITEM 6
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Act II accepts performance-based fees from every client. As a result, Act II does not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients. In the event that Act II manages additional portfolios in the future for which Act II does not receive performance-based fees, Act II will develop appropriate policies and procedures to effect fair and equitable allocations.

ITEM 7
TYPES OF CLIENTS

Act II generally provides investment advice to Funds, as described above.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies.

The descriptions set forth in this Brochure of specific advisory services that Act II offers to clients, and investment strategies pursued and investments made by Act II on behalf of its clients, should not be understood to limit in any way Act II's investment activities. Act II may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Act II considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies Act II pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

The primary objective of the Funds is to achieve above average returns on a medium to long-term basis (one to three years). The Funds seek to achieve their objective primarily through investments in the equity securities of U.S. and non-U.S. companies in the media, entertainment and communications industries, though it will not limit itself exclusively to these industries or investments; *provided, however*, that investments in non-U.S. companies will not exceed 5% of the total assets of the Funds, as measured at the time of investment. The Funds seek to invest in companies whose shares Act II considers to be inefficiently priced, or where Act II sees emerging industries developing that have not yet been fully recognized by investors.

The Funds have a relatively concentrated portfolio, though no position is expected to exceed 10% of the total assets of the Funds, as measured at the time of investment. The Funds expect to use short selling* or option strategies for hedging purposes and to extend profitable holdings into long-term positions.

The Funds seek to maximize capital appreciation through long-term holdings, though this may not be true of short positions by their nature. Preservation of capital will be an important factor in the overall management of the Funds as well. The portfolio may consist of holdings with a wide range of market capitalizations with a mix of large capitalization well known growth companies, and smaller companies which may not yet be well covered by Wall Street. It may also include instruments other than straight equity, such as high yield debt, convertible debt or preferred warrants and options. The Funds may invest a portion of their total assets in illiquid investments or private companies.

The media sector is a broad and diverse group of industries comprised of numerous subsectors, including, for example, radio and television broadcasting, cable

* A short sale involves the sale of a security that the Fund does not own in the hope of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Fund must borrow the security, and is obligated to return the security to the lender which is accomplished by a later purchase of the security. In the United States, when a short sale is made, the seller must leave the proceeds thereof with the broker and deposit with the broker an amount of cash or United States Government securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss.

television, film and music entertainment, motion picture theatres, home video, video games, advertising agencies, newspapers, magazines, outdoor and Internet content and distribution. Communications industries include, for example, wireless, wireline, satellites and towers. Generally, both the media and communications industries have been above average growth industries. In Act II's view, the advertising media sectors tend to have low capital expenditures and be free cash flow producing, while cable and wireless tend to have more extensive capital requirements, but to be faster growing and less cyclical.

Faster growing areas include cable television (both systems and networks), the Internet and wireless, while advertising based media generally grow in line with the economy. There are differences, however, within the media sector; cable networks and radio, for example, have tended to be faster growing while television networks and stations, for example, have tended to be slower growing. Wireline companies have typically grown less rapidly than gross domestic product, though they have had growth elements such as wireless and data, and modest dividend income, while areas losing market share, like television broadcasters, have offered occasional value plays or takeover targets.

Emerging industries include, for example, interactive television (including personal video recorders and video on demand), home networking, high speed data on both wired and wireless networks, internet and target advertising, new broadband Internet/television/mobile streaming video and audio services, and digital terrestrial television.

International opportunities are often at an earlier stage in developing these growth industries, such as broadband. On the other hand, in wireless, it is the United States that is the laggard because of a lack of unified systems and territories.

The Funds will employ a variety of techniques to analyze companies and markets and to determine market opportunities or inefficiencies to be capitalized upon. Below are some examples:

1. **Inefficiently priced companies/industries** – Act II believes that most straightforward opportunities are in growth industries where either the industry or a particular company is inefficiently priced. The same may be true of slow-growing or out-of-favor sectors, where valuation is compelling. For an industry, this may be because of market sentiment over competitive or regulatory developments. The (HLT) credit crunch impact on cable stocks in 1990, and the group's lagged response to the bull market in 1995-1996 coming off of rate regulation, are examples. It also may be the lack of recognition of an impending acceleration or deceleration in growth, like the radio industry in 1995 or the cable industry in 1996. For a company, it may be the relative valuation within its industry.

2. **Complex companies/capital structures** – Many of the companies in the media and telecommunication industries have complex capital structures with significant off-balance sheet holdings, which are vital to total valuations. The same may be true of companies with more than one class of publicly traded stock.

3. **Emerging industries and/or technologies** – This includes such areas as interactive television, internet advertising, broadband data, mobile data, home networking, digital television and European cable.

4. **Restructurings, spin-offs and takeovers** – Restructurings often provide opportunities to exploit inefficiencies created by changes in shareholder bases, particularly in the period between the announcement and the actual event. In addition, Act II believes the current period of rapid vertical and horizontal integration is expected to continue, providing opportunities to play (long or short) likely target companies on either side of a transaction. This may also be true of similar companies to those being acquired which will benefit from speculation on further moves involving additional companies.

5. **Management/management changes** – Managements with long-term track records and/or those with success at more than one company will be favored. The opposite may be true in the case of weak managements/companies, which may provide short opportunities. Changes may create excessive “Street” reactions one way or the other. They may also be early signals of the likelihood of structural or strategic changes in directions that may be exploited.

6. **Alternative valuation techniques** – Few of the media, entertainment or telecommunication companies are valued on traditional earnings per share. In broadcasting, free cash flow measures are considered among the most important. A discounted cash flow analysis is usually an important back-up to all the other techniques, as are transaction multiples in verifying private market asset values of companies, especially those with only a small proportion of value in tangible or hard assets.

7. **Regulatory and competitive – related opportunities** – Act II’s long experience in dealing with the regulatory and competitive environment, as noted above, has often provided important opportunities to trade against the grain of a market sentiment that is an over-reaction to events. For example, the market’s historic penchant to regard cable and DBS as mutually exclusive has provided periodic opportunities to take advantage of inefficiencies. Currently, the possibility of further deregulation is providing interesting opportunities in broadcasting and newspapers.

Through a vast network of contacts, original and Street research, conferences, trade publications, trade associations and historical context, Act II will carefully select and balance the Funds’ investments between industries, by capitalization, market risk and through hedging techniques.

B. Material, Significant or Unusual Risks Relating to Investment Strategies.

Investing in securities involves risk of loss that clients should be prepared to bear. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by Act II. These risk factors include only those risks Act II believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by Act II.

Growth Stage Companies. While investments in growth stage companies offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk which can result in substantial losses. The stock market has experienced volatility which has particularly affected the securities of technology companies. As a result, the Fund’s performance may experience substantial volatility.

Small- and Medium-Capitalization Companies. The Funds may invest a portion of their assets in the securities of companies with small to medium-sized market

capitalizations. While Act II believes such securities often provide significant potential for appreciation, the securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, “blue chip” companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

Non-U.S. Investments. The Funds may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds’ investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Funds may be unable to structure their transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds’ rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the Commodity Futures Trading Corporation or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

Investments in Undervalued Securities. One of the primary objectives of the Funds is to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds’ investments may not adequately compensate for the business and financial risks assumed. The Funds may make certain speculative investments in financial instruments that Act II believes to be undervalued; however, there are no assurances that the financial instruments purchased will in fact be undervalued. In addition, the Funds may be required to hold such financial instruments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds’ capital would be committed to the financial instruments purchased, thus possibly preventing the Funds from investing in other opportunities. In addition, the Funds may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Equity Risks. The Funds invests in equity and equity-linked securities. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if it invests in equity securities of issuers whose performance diverges from Act II's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move.

Illiquid Investments. The Funds may invest in securities, bank debt and other claims, and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Funds may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Fixed Income Investments. The Funds may invest in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities; and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Funds invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

High-Yield Securities. The Funds may invest in bonds or other fixed income securities, including, without limitation, "higher yielding" (including non-investment grade) debt securities. Such securities are generally not exchange traded and, as a result, these financial instruments trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. In addition, the Funds may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of

interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

Leverage and Financing Risk. The Funds have the power to borrow funds and may do so when deemed appropriate by Act II, including to enhance the Funds' returns and meet withdrawals that would otherwise result in the premature liquidation of investments. The Funds may borrow funds from brokers, banks and other lenders to finance their trading operations. The use of such leverage can, in certain circumstances, substantially increase the losses to which the Funds' investment portfolio may be subject. Such leverage, which may be substantial, may be achieved through, among other methods, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements, swaps and other financial instruments that are inherently leveraged. The access to capital could be impaired by many factors, including market forces or regulatory changes. There could also be other factors more specific to the Funds, such as fraud by one of the employees. If the Funds were unable to borrow capital, they may need to liquidate assets in order to meet their liabilities. The Funds may achieve better margin lending terms from certain of its prime brokers than are generally available to U.S. investors. As a result, the level of margin available to the Funds for their investments generally will be limited only by the credit decisions of its prime brokers. There can be no assurance, however, that such prime brokers either will continue such arrangements with the Funds or that such prime brokers and other lenders will approve extensions of credit to the Funds at the levels requested by the Funds. Any restriction on the availability of credit from such parties could adversely affect the Funds' performance. The use of margin and short-term borrowings creates several risks for the Funds. If the value of the Funds' securities falls below the margin level required by a prime broker, additional margin deposits would be required. If the Funds are unable to satisfy any margin call by a prime broker, then the prime broker could liquidate the Funds' position in some or all of the financial instruments that are in the Funds' accounts at the prime broker and cause the Funds to incur significant losses. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under the Funds' agreements with other brokers, lenders, clearing firms or other counterparties, multiplying the adverse impact to the Funds. In addition, because the use of leverage allows the Funds to control positions worth significantly more than its investment in those positions, the amount that the Funds may lose in the event of adverse price movements is high in relation to the amount of its investment. In the event of a sudden drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to satisfy its margin requirements. In that event, the Funds may become subject to claims of financial intermediaries that extended "margin" loans. Such claims could exceed the value of the assets of the Funds. The banks and dealers that provide financing to the Funds can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Funds will be able to secure or maintain adequate financing, without which the Funds may not continue to be viable. The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involves little or no margin deposit and, therefore,

provides substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to the Funds.

Hedging Transactions. Act II may utilize financial instruments both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the investment portfolios of the Funds resulting from fluctuations in the markets and changes in interest rates, (ii) protect the Funds' unrealized gains in the value of its investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads or gains on any investment in the portfolio of the Funds, (v) hedge the interest rate or currency exchange rate on any of the liabilities or assets of the Funds, (vi) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date or (vii) for any other reason that Act II deems appropriate. The success of the hedging strategy of the Funds will be subject to Act II's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to Act II's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in any such hedging transactions. For a variety of reasons, Act II may not seek to hedge certain (or any) portfolio holdings, or may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to a risk of loss. Act II may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the portfolio holdings of the Funds.

Ability to Acquire Assets at Favorable Spreads; Competition and Supply. The Funds' potential for current income and capital appreciation for its investors will depend, in large part, on Act II's ability to acquire investments for the Funds on advantageous terms. The Funds intend to purchase fixed income securities from investment banking firms, traders and portfolio managers, as well as from a variety of "loan suppliers" (typically banks, savings and loans, finance companies, mortgage bankers, construction firms and other firms involved in originating and packaging loans). In acquiring fixed income securities, the Funds will compete with a broad spectrum of institutional investors, many of which have greater financial resources than the Funds. Increased competition for, or a reduction in the available supply of, qualifying investments could result in higher prices for, and thus lower yields on, such investments, which could further narrow the yield spread over borrowing costs.

Short Selling. The Funds' investment portfolio may include short positions. Short selling involves selling securities which may or may not be owned by the short seller, and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales will depend upon Act II's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically

increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be “bought in” (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Trading in Options and Swap Agreements. The prices of derivative instruments, including options, and payments pursuant to swap agreements, may be highly volatile and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events. The Funds may purchase and sell (“write”) options on securities, currencies and commodities on national and international exchanges and over-the-counter markets.

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. The Funds do not currently intend to sell uncovered put options.

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option. The Funds do not currently intend to sell uncovered call options. Options may be cash settled, settled by physical delivery or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Funds may be subject to loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty. In addition, the Funds are also subject to the risk of the failure of any of the exchanges on which it trades or of their clearinghouses.

Convertible Securities. The Funds may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable nonconvertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

Counterparty Risk. The markets in which the Funds will effect their transactions may include “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, Act II has no internal credit function which evaluates the creditworthiness of its counterparties. The ability of the Funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities, and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds. The Funds’ assets may be held in accounts maintained for the Fund by their prime brokers. The prime brokers, as brokerage firms or commercial banks, are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds’ assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker or any of its sub-custodians, agent or affiliates, it is impossible to generalize about the effect of their insolvency on the Funds and their assets.

Counterparty Insolvency. The Funds’ assets may be held in one or more accounts maintained for the Funds by counterparties, including their prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of the Funds’ counterparties is likely to impair the operational capabilities or the assets of the Funds. Although Act II regularly monitors the financial condition of the counterparties it uses, if one or more of the Funds’ counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the U.S. Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of the Funds’ securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. In addition, the Funds may transact with counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in

various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Funds and their assets.

Position Limits. "Position limits" imposed by various regulators may also limit the Funds' ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Funds do not intend to exceed applicable position limits, it is possible that different accounts managed by Act II and their respective affiliates may be aggregated. If at any time positions managed by Act II and their respective affiliates were to exceed applicable position limits, Act II and their respective affiliates would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Funds might have to forego or modify certain of their contemplated trades.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which Act II would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in significant losses to the Funds.

Loans of Portfolio Securities. The Funds may lend their portfolio securities. By doing so, the Funds attempt to increase income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Funds could experience delays in recovering the loaned securities. To the extent that the value of the securities the Funds lent has increased, the Funds could experience a loss if such securities are not recovered.

ITEM 9
DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Act II's advisory business or the integrity of Act II's management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

Act II and their respective management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as broker-dealers or registered representatives of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.

Act II and their respective management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Relationships or Arrangements with Industry Participants.

WSA and Capstone are investors in the Domestic Fund. Such investment may provide Act II with financial and other incentives to select WSA and Capstone to effect securities transactions for clients. Nonetheless, Act II is committed to the appropriate selection of broker-dealers to effect securities transactions for clients in accordance with the procedures described above.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

Act II does not recommend or select other investment advisers for its clients.

ITEM 11
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING

A. Code of Ethics.

Act II strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, Act II has adopted a Code of Ethics (the “Code”). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the Funds, including the Funds’ investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting Act II Capital at the address or telephone number listed on the first page of this document.

B. Securities that Act II or a Related Person Has a Material Financial Interest.

Act II currently manages only one portfolio at the master level and therefore allocates all securities transactions to that account. In the event that Act II manages additional portfolios in the future, Act II will develop appropriate policies and procedures to effect fair and equitable cross-transactions, if any.

As a matter of policy, Act II generally does not permit any principal transactions between client accounts and accounts affiliated with Act II.

C. Investing in Securities that Act II or a Related Person Recommends to Clients.

The Code also places restrictions on personal trades by employees, including that they must disclose their personal securities holdings and transactions to Act II, and requires that employees pre-clear certain types of personal securities transactions.

ITEM 12

BROKERAGE PRACTICES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

As noted previously, Act II has full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Act II's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

In selecting an appropriate broker-dealer to effect a client trade, Act II seeks to obtain best execution. The selection of broker-dealers for transactions in equity securities is generally made by Act II in accordance with a ranking of broker-dealers determined by Act II. Such ranking is based upon a variety of factors, including, but not limited to: available prices and rates of brokerage commissions; the size and type of transaction; the provision of research related services; the nature and character of the markets for the security to be purchased or sold; the execution efficiency and financial condition of the broker-dealer; the brokerage execution services rendered on a continuing basis; and other services provided by the broker-dealer. Act II negotiates with each of the broker-dealers in an attempt to obtain the lowest available commission on behalf of the Funds, without sacrificing the quality of the execution services. Act II maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

When selecting dealers for transactions in fixed-income securities, Act II bases its decisions on the availability of a fixed-income security and its price. Act II also considers among other things the overall quality of execution, the broker-dealer's responsiveness to Act II, and the other services provided by the broker-dealer.

B. Soft Dollars Usage

From time to time, Act II may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research products and services provided by the broker-dealer. Act II will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. Act II believes it is important to its investment decision-making processes to have access to independent research.

Generally, brokerage and research services provided by broker-dealers may include among other things information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such brokerage and research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such brokerage and research services

may be provided in the form of access to various computer-generated data, computer software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In many cases, the brokerage and research services and products provided by the broker-dealer are generated by third parties.

Also, consistent with Section 28(e), brokerage and research products or services obtained with “soft dollars” generated by one or more Funds may be used by Act II to service one or more other Funds, including Funds that may not have paid for the soft dollar benefits. Act II does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides research and non-research assistance to Act II (*e.g.*, a “mixed use” item), Act II will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services and products, a conflict of interest may exist by reason of Act II’s allocation of the costs of such benefits and services between those that primarily benefit Act II and those that primarily benefit the Funds.

Prior to entering into any soft dollar arrangement, Act II: (1) endeavors to verify that the research under consideration meets the SEC’s definition of eligible “research,” or “brokerage” (2) endeavors to verify that the brokerage or research will benefit the Funds by providing “lawful and appropriate assistance” to Act II in the fulfillment of its investment decision-making process, and (3) makes a good faith determination that client commissions paid to a broker-dealer are reasonable in relation to the value of products or services provided by broker-dealers and documents the basis for the determinations made in (1) and (2).

At least annually, Act II considers the amount and nature of brokerage and research services and products provided by broker-dealers, as well as the extent to which such services and products are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Act II make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services

C. Order Aggregation.

Act II currently manages only one portfolio at the master level and therefore allocates all securities transactions to that account. In the event that Act II manages additional portfolios in the future, Act II will develop appropriate policies and procedures to effect fair and equitable allocations.

Act II may on occasion experience errors with respect to trades executed on behalf of its clients. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, the correct security is purchased or sold but for the wrong account, or the wrong quantity is purchased or sold (*e.g.*, 1,000 shares instead of 10,000 shares are traded). Trade errors may result in losses or gains. Act II will

endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker-dealer, Act II will strive to recover any losses associated with such error from the counterparty. To the extent that Act II determines that it is responsible for a trade error, Act II will seek to resolve the error on a fair and equitable basis, by attributing trade error losses to Act II and the Funds will not bear the loss as a result of such error. Act II has established internal policies regarding the manner in which such determinations are made. In making such determinations, Act II will have a conflict of interest.

ITEM 13

REVIEW OF ACCOUNTS

A. Frequency and Nature of Review of Client Accounts or Financial Plans.

Act II performs various daily, weekly, monthly, quarterly and periodic reviews of the Funds' portfolios on an ongoing basis. The Chief Financial Officer is responsible for overseeing the review. Act II also verifies that trades have been properly executed and that the positions held by the Funds are accurate and appropriate.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review.

A review of a client account may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients.

Act II generally provides annual audited financial statements to its clients within 120 days of the applicable client's fiscal year end.

Investors in the Funds receive a monthly statement from the Administrator documenting the performance of their Fund. Investors in the Funds also receive annual audited financial statements prepared by the independent auditor of the applicable Fund within 120 days after the end of each fiscal year (or as soon thereafter as is reasonably possible), as well as certain tax information for preparation of investors' tax returns.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

Act II does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither Act II nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. Act II has entered into a placement agreement with a placement agent (the “Placement Agent”) pursuant to which the Placement Agent has agreed to introduce potential investors to the Funds.

ITEM 15
CUSTODY

Act II is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to Act II.

ITEM 16
INVESTMENT DISCRETION

Act II Capital serves as the general partner with discretionary trading authority for the Domestic Fund. Act II Management serves as the management company with discretionary trading authority for each Fund.

Act II's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

ITEM 17

VOTING CLIENT SECURITIES

Rule 206(4)-6 requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies and procedures. In compliance with such rules, Act II has adopted proxy voting policies and procedures (the “Policies”). The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “proxies”), in a manner that serves the best interests of the Funds, as determined by Act II in its discretion, taking into account the following factors, among others: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the effect on liquidity; and (iv) the customary industry and business practice. In limited circumstances, Act II may refrain from voting proxies where Act II believes that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the Funds.

A copy of the Policies and the proxy voting record relating to a client may be obtained by contacting Act II Capital at the address on the first page of this document.

ITEM 18
FINANCIAL INFORMATION

Act II is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

ITEM 19
REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.