

## ACI CAPITAL GROUP, LLC

Form ADV Part 2 A  
The Brochure  
Dec 30, 2011

This brochure provides information about the qualifications and business practices of ACI Capital Group, LLC (ACI). If you have any questions about the contents of this brochure, please contact us at 646.706.5600 or [scottf@acicapitalgroup.com](mailto:scottf@acicapitalgroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. ACI Capital Group, LLC is a registered investment advisor with the SEC. Such registration does not require a certain level of skill or training it is simply a requirement for advisors that manage One Hundred Million (\$100,000,000) or more in client assets.

Additional information about ACI Capital Group, LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2 Material Changes

This section is not applicable to ACI Capital Group, LLC as this is our first ADV Part II Filing.

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## Item 4 Advisory Business

ACI Capital Group ("ACI") is an Investment Banking and Advisory Firm that is registered as an Investment Advisor with the United States Securities and Exchange Commission. ACI provides Investment Banking and Advisory services to its clients and manages several alternative asset products.

ACI operates from a broad platform consisting of an Investment Banking Division that provides investment banking and advisory services to corporate and private equity clients and an Asset Management Division that consists of real estate, credit strategies and a private client services group.

ACI's Investment Banking Division is focused on providing a wide variety of advisory services to corporate and private equity clients. These services relate to advising clients on corporate transactions and providing any type of general advisory services relating to market studies such as the competitive landscape within which the client is operating. ACI's Asset Management Division consists of (i) a real estate fund focused on owning, managing, trading and investing in undervalued assets in the real estate and related financial markets the ACI team considers to be undervalued (ii) an opportunistic credit fund targeting all parts of the capital structure for clients in those industries the ACI team knows well and (iii) a private client services group that provides sophisticated financial services to high-net-worth investors in the U.S. and abroad.

The Hedge Fund's private placement offerings are real estate-focused equity investment offerings, which are diversified across asset classes including single-family, residential, retail, commercial, industrial and mixed-use.

ACI Capital Group, LLC was founded in 2009. As of the date of this filing ACI Capital Group, LLC has no third party assets all assets are proprietary to ACI's balance sheet and managed by ACI on a discretionary basis. Currently ACI has \$100,000,000.00 in assets, ACI has a real estate fund with no capital commitments. Currently the credit fund is in the process of formation and has no capital commitments at this time. Finally, the private client services group manages capital on a discretionary basis and has no assets under management.

ACI Capital Group, LLC never refers clients to other registered financial advisors.

## Item 5 Fees and Compensation

ACI Capital Group, LLC fee structure regarding the services provided in the private client services group are as follows: ACI Capital Group will charge an annualized percentage of "Net Liquidation Value" which shall be applied on a daily basis. The annualized percentage that shall be charged is 2%\*

\*Please be aware that such fee(s) may be above what is considered "Industry Standard" for these types of services.

ACI Capital Group, LLC fee structure regarding its Investment Banking services are as follows: ACI Capital Group, LLC will charge and monthly retainer fee of 50K per month as well as a 3.5% performance fee of any subsequent capital acquired as a result of ACI Capital Group, LLC advisory assistance.\*

\*ACI Capital Group reserves the right to raise or lower such fees in its sole discretion with or without notice.

ACI Capital Group, LLC fee structure regarding the real estate fund is as follows: ACI Capital Group, LLC will receive a quarterly management fee paid in advance (the “Management Fee”). The Management Fee is equal to 0.5% (a 2% annual rate) of the Opening Balance of the Capital Account(s) of each Limited Partner of the hedge fund at the beginning of each calendar quarter (including, for these purposes, the Opening Balance of any Side Pocket Investment Account in which such Partner has an interest). The Management Fee will be appropriately prorated to reflect any contributions which occur during a calendar quarter. ACI Capital Group, LLC may, in its sole discretion, rebate the Management Fee with respect to any Limited Partner in the hedge fund.

#### **Item 6 Performance Based Fees and Side-by-Side Management**

The Hedge Fund will calculate a performance allocation (the “Performance Allocation”) allocable to ACI Capital Group, LLC, at the end of each calendar year, which will be determined with respect to each Limited Partner’s Capital Account (which will include gains and losses with respect to realized or deemed realized Side Pocket Investments and income from Side Pocket Investments allocated to a Limited Partner’s Capital Account). The Performance Allocation is equal to twenty percent (20%) of the Net New Profit in each Capital Account (or solely the Capital Account relating to such withdrawal or distribution, as applicable).

“Net New Profit” is any amount by which the net asset value of a Limited Partner’s Capital Account exceeds the High Water Mark for such Capital Account. The “High Water Mark” for a Capital Account is the net asset value of such Capital Account immediately after the assessment of the most recent Performance Allocation (deducting the amount of any withdrawals or distributions since such assessment) or, if the Capital Account has never been assessed a Performance Allocation, the net asset value of such Capital Account when it was established (deducting the amount of any withdrawals or distributions since it was established). The High Water Mark will be reduced proportionally as necessary to account for the creation of any Side Pocket Investment Accounts. Unrealized appreciation or depreciation in any Side Pocket Investment Account will not affect the High Water Mark.

The High Water Mark for a Limited Partner’s Capital Account is calculated net of the Performance Allocations charged against such Capital Account. This means that the General Partner is not required to “restore” the amount of any Performance Allocation charged against a Limited Partner’s Capital Account before participating in future appreciation in the value of such Capital Account in accordance with the formula described above. Although the High Water Mark for a Capital Account carries forward from year to year until exceeded, the General Partner is not required to “repay” any Performance Allocation paid to it in the event such Capital Account subsequently experiences losses.

Upon the refinancing of any property underlying a Side Pocket Investment, ACI Capital Group, LLC, in its sole discretion, may deem the realization of such investment to receive a Performance Allocation with respect thereto and then immediately return such investment to a Side Pocket Investment Account.

The Performance Allocation is calculated after deducting the Management Fee with respect to any Capital Account.

#### **Item 7 Types of Clients**

Clients of the private services group are a mixture of Accredited Investors (as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (“Securities Act”)) and non accredited investors.

Clients that utilize the services of the Investment Banking Division are generally mid-market corporations who are undervalued or poised for growth and who also have annual gross revenues per year between 50mm and 500mm

The limited partners in the hedge fund structure consist of persons who are Accredited Investors (as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (“Securities Act”)), subject to certain exceptions. The hedge funds minimum account size is generally \$1,000,000.

#### **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

ACI Capital Group's primary objective is to manage our business—and our Client's capital—with care, discipline and patience. We strive to deliver compelling risk-adjusted returns over the long term. Many of our direct equity investments, such as our income producing assets and development projects are structured with lives of up to 10 years or longer. This long range view enables us not only to ride out market cycles, but also to maximize value through operational improvements over time.

Investments are guided by a senior team with extensive industry experience and tenure at ACI Capital Group. Our team is equipped to navigate the challenges and opportunities they present. Each transaction receives the attention of one or more of our Senior Investment Analysts, and typically the involvement of our Founder and Chief Executive Officer.

As a proponent of investing on a worldwide scale, ACI Capital Group will have a global reach unmatched by most other alternative asset management firms. We plan to operate offices worldwide, providing an expansive multi-national perspective. Our extensive global platform and network of international relationships will enable us to source investment opportunities virtually anywhere in the world for the benefit of our Limited Partners.

Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of a particular investment or investment strategy will be profitable or achieve its objective. If there are any changes to client's personal and/or financial situation or investment objectives, it is the client's responsibility to notify ACI Capital Group, LLC, preferably in writing. All investing involves a risk of loss.

#### **Item 9 Disciplinary Information**

ACI Capital Group, LLC and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

#### **Item 10 Other Financial Industry Activities and Affiliations**

ACI Capital Group, LLC does not have any affiliation or ownership relationship with other financial services companies that pose material conflict of interest to our clients. Fredrick Scott the owner of ACI Capital Group, LLC is a licensed real estate broker in the state of California license number: 01840330. He is also the owner of a real estate brokerage firm in the State of California called Acacia Conglomerate Inc. license number: 01840600 that provided retail real estate brokerage services in the State of California.

#### **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

ACI Capital Group, LLC has established a 'Code of Conduct and Regulatory Compliance Manual', which is reviewed and updated at least annually. This Manual specifically addresses a stated 'Code of Ethics' and all policies and procedures which maintain full compliance with securities laws set forth in Rule 204A-1 under the Advisers Act. A copy of the Code of Conduct and Regulatory Compliance Manual is available to any client or prospective client by contacting the Chief Compliance Officer, Fredrick D. Scott at the office.

At times, ACI Capital Group, LLC or employees may buy or sell real estate or real estate based securities for their own account which are also recommended to clients. ACI Capital Group, LLC may recommend real estate or real estate based securities products in which ACI Capital Group, LLC or a related person has some financial interest. To avoid any potential conflicts of interest involving personal trades, ACI Capital Group, LLC has adopted a Code of Ethics. The Code of Ethics is predicated on the principle that ACI Capital Group, LLC owes a fiduciary duty to its clients. Accordingly, ACI Capital Group, LLC employees must attempt to avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of clients.

- Act within an ethical manner with the public, investors, prospective clients and investors;
- Place the interests of Clients above their own personal interests;
- Not take inappropriate advantage of their position;
- Avoid actual or potential material conflict of interest. In the event conflicts cannot be avoided, it is Steinberg Global's policy to proactively disclose such conflicts to all investors;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Uphold the rules governing capital markets;
- Comply with applicable provisions of the federal securities laws.

ACI Capital Group, LLC's Code of Ethics also requires Employees to: 1) report personal securities transactions on at least a quarterly basis, and 2) provide ACI Capital Group, LLC with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest and which are of the same nature of the types of transactions made by ACI Capital Group, LLC on behalf of clients. In the event an outside business activity presents a material conflict of interest with ACI Capital Group, LLC's Clients, ACI Capital Group, LLC reserves the right to restrict these outside business activities. Employees are required to disclose all outside business activities to ACI Capital Group, LLC's CCO, Fredrick D. Scott.

#### **Item 12 Brokerage Practices**

All Information provided in this section pertains to ACI Capital Group, LLC private client services group.

ACI Capital Group, LLC will have discretion to select brokers or dealers to effect transactions for clients. ACI Capital Group, LLC has no obligation to deal with a particular broker to effect transactions, it is the policy of ACI Capital Group, LLC to seek to obtain the best price and execution, availability of securities, settlement efficiency, and the nature and quality of research provided.

ACI Capital Group, LLC receives Bloomberg Data and Thompson Financial Services from brokers and custodians and such entities generally offer these services at a discount or free of charge to ACI Capital Group, LLC. ACI Capital Group, LLC may have soft dollar arrangements in the future and will avoid conflicts and comply with regulatory requirements, to the extent that the execution of transactions through such brokers would represent the best execution under

the circumstances. The receipt of soft-dollars may cause a potential conflict between the advisor and the use of client securities transactions to obtain research and other benefits. ACI Capital Group, LLC has established guidelines to monitor soft dollar arrangements which may include: approval of the arrangement by the Chief Executive Officer and the Chief Compliance Officer; must be a Brokerage or Research related product and service with reasonable commission charges. The broker must provide the service, only allowed on permissible transactions, monitoring of the soft dollar agreement by the internal compliance area of Interactive Brokers.

Best Execution Reviews ACI Capital Group, LLC will evaluate the quality and cost of services received from broker/dealers on a periodic and systematic basis. As part of the evaluations, ACI Capital Group, LLC will consider the quality and cost of services available from alternative broker/dealers, market makers, and market centers. ACI Capital Group, LLC shall summarize its reviews in a written format on an annual basis.

Aggregated Trades ACI Capital Group, LLC typically aggregates client trades in an effort to treat all clients fairly. Clients participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. Employees may be included with the bunched client trades.

### **Item 13 Review of Accounts**

Regarding the services provided in the private client services group: A portfolio manager is assigned to each account, to implement in a given portfolio, the asset allocation strategy and the recommended list of investments are decided by the Investment Committee. The portfolios are reviewed continuously.

Regular reports on portfolio holdings are available 24/7/365 to the client via an online platform provided to the client by ACI Capital Group, LLC through its custody relationship with Interactive Brokers, LLC. The reports are also available on request. Regular reports are typically sent on a monthly basis from the client's custodian. These reports include both holdings and transactions.

Regarding the Alternative Products provided by ACI Capital Group, LLC. Regular reports on portfolio holdings are sent from ACI Capital Group, LLC by way of our third party administrator Advanced Fund Administration to the client on a quarterly basis. The reports are also available on request. The hedge fund structure is also audited annually by Harb Levy & Weiland and such reports will be made available to clients upon written request.

### **Item 14 Client Referrals and Other Compensation**

ACI Capital Group, LLC has no client referral agreements in place at this time.

Fredrick Scott, the Chief Executive Officer of ACI Capital Group, LLC owns Acacia Conglomerate Inc. ("Acacia"), a real estate firm which is in the business of originating mortgage loans, listing and selling properties, and providing escrow and property management services. The Hedge Fund may, from time to time, utilize the services of such affiliated company in connection with the acquisition of real property investment assets. In such an event, Mr. Scott will receive an economic benefit with respect to any such transaction irrespective of the ultimate long-term profitability to the Hedge Fund of such investments. Mr. Scott's potential interest in Acacia, (i) as a mortgage originator, agent or broker for the Master Fund, (ii) as a representative of the Hedge Fund in the purchase or sale of real property by the Hedge Fund in California or (iii) in other real estate services Acacia may provide to the Hedge Fund from time to time, may create a greater incentive for him to recommend Acacia than would be the case in the absence of such arrangements were not in place. Additionally, this role may compete with or be different from his role as Chief Executive Officer of ACI Capital Group, LLC, and, in turn, his duty to the Hedge Fund. Notwithstanding the foregoing, ACI Capital Group, LLC believes that the Hedge Fund will benefit from Mr. Scott's skills, experience and relationships in the real estate mortgage origination field, and that Mr. Scott will be able to meet his obligation to act in the best interests of the Hedge Fund.





### **Item 15 Custody**

Regarding the services offered in the private client services group: All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but ACI Capital Group, LLC can access all clients' accounts through its ability to debit advisory fees and in its discretionary trading right. For this reason ACI Capital Group, LLC is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by ACI Capital Group, LLC. We strongly encourage our clients to compare the account statements sent to them from their custodian with the statement provided by ACI Capital Group, LLC. Certain minor discrepancies may be present due to differences in pricing services used to price all the securities held, pending transactions, timing and recognition of interest payments, among other reasons.

Regarding the alternative investment products offered by ACI Capital Group, LLC. ACI Capital Group, LLC will advise on and manage the Hedge Fund's investment portfolio according to the investment program described in the Private Placement Memorandum (s) of the Funds. In such capacity, ACI Capital Group, LLC shall possess the right, power and authority to take such actions for and on behalf of the Hedge Fund as ACI Capital Group, LLC may reasonably determine to be necessary, appropriate, advisable, incidental or convenient in connection with pursuing the Hedge Fund's investment program.

ACI Capital Group, LLC is also considered to have custody of the Hedge Funds accounts because of the discretionary authority given to ACI Capital Group, LLC by the Hedge Funds board of directors. These accounts undergo an annual surprise audit by an outside independent public accountant. The accountant files a form ADV E within 30 days after the completion of the examination.

All accounts undergo an annual surprise audit by an outside independent public accountant. The accountant files a form ADV E within 30 days after the completion of the examination.

### **Item 16 Investment Discretion**

Regarding the private client services group: ACI Capital Group, LLC has investment discretion over clients' accounts. Clients grant ACI Capital Group, LLC trading discretion through the execution of a limited power of attorney. ACI Capital Group, LLC investment discretion gives ACI Capital Group, LLC authority to determine securities to be bought or sold, amount of the securities to be bought or sold, the broker-dealer to be used, and the commission rates paid.

Clients can place reasonable restrictions on Steinberg Global's investment discretion.

Regarding the alternative investment products provided by ACI Capital Group, LLC. ACI Capital Group, LLC has investment discretion over clients' accounts. Clients grant ACI Capital Group, LLC trading discretion through the execution of an Investment Management agreement as well as the Private Placement Memorandums executed by the limited partners of the fund structure. ACI Capital Group, LLC's investment discretion gives ACI Capital Group, LLC authority to determine real estate and real estate based securities to be bought or sold, amount of real estate and real estate based securities to be bought or sold, the broker-dealer to be used, and the commission rates paid.

### **Item 17 Voting Client Securities**

As a matter of general policy ACI Capital Group, LLC does not vote proxies for its clients. This policy is clearly stated in each client's advisory contract; however, there may be an exception to this rule at the CEO's discretion. Clients will receive their proxies and other solicitations directly from the issuer or a third party assigned by the issuer as instructed by the custodian that holds the security.

Policy – for exception when Voting Proxies In the event ACI Capital Group, LLC votes proxies, it shall vote client proxies in the interest of maximizing Shareholder Value. To that end, ACI Capital Group, LLC will vote in a way that it believes, consistent with its fiduciary duty, will cause the value of the issue to increase the most or decline the least. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote.

Any general or specific proxy voting guidelines provided by an advisory client or its designated agent in writing will supersede this policy. Clients may wish to have their proxies voted by an independent third party or other named fiduciary or agent, at the client's cost.

A complete copy of ACI Capital Group, LLC proxy voting policies and procedures, as well as specific information about how ACI Capital Group, LLC has voted in the past, is available upon written request to the CCO. Also, upon written request to the CCO, clients can also take responsibility for voting their own proxies, or can give ACI Capital Group, LLC instructions about how to vote their respective shares.

**Item 18 Financial Information**

ACI Capital Group, LLC has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

## ACI CAPITAL GROUP, LLC

Form ADV Part 2 B  
The Brochure Supplement  
Dec 30, 2011

This brochure supplement provides information about the advisory personnel on whom our clients will rely on for investment advice as well as services. This brochure shall supplement the ACI Capital Group, LLC(ACI) ADV Part 2 A. Please contact ACI Capital Group, LLC's Chief Compliance Officer (CCO), Fredrick D. Scott at [scottf@acicapitalgroup.com](mailto:scottf@acicapitalgroup.com) or 646.706.5600 if you have any questions about the Form ADV brochure or this supplement, or if you would like to request additional or updated copies of either document. Additional information about the advisory personnel is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Fredrick D. Scott, born 1984****Chief Executive Officer/Chief Investment Officer & Chief Compliance Officer**Education Background and Business Experience

He is responsible for all of the Investment Banks's investment banking, advisory and operational matters. Mr. Scott was formally the Founder and President of Acacia Conglomerate, Inc. ("Acacia"), an international real estate firm. At Acacia Mr. Scott was responsible for counseling buyers and sellers on market strategies and engaged in aggressive market analysis and market forecasting for investors, acquisitions firms and traditional buyers and sellers. Prior to joining Acacia Conglomerate, Inc. in 2008, Mr. Scott served as the CEO of FollyCease Financial, LLC, a financial consulting firm, where he successfully negotiated large business transactions for the company. Mr. Scott launched his career in finance and real estate in 2006 as a senior loan officer at Innovative Mortgage Capital, where he negotiated, packaged and sold over ten million dollars worth of A, Alt A and Subprime mortgages for both residential and commercial clients. He is a licensed Real Estate Broker under the California Department of Real Estate. Mr. Scott is fluent in German, Italian and Korean.

ACI Capital Group, LLC: CEO/CIO/COO	2009- Present
Acacia Conglomerate Inc.: President/Broker	2008-Present
FollyCease Financial, LLC: CEO	2007-2008
Innovative Mortgage Capital: Senior Loan Officer	2006-2007

Disciplinary Information

Mr. Scott has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Scott or of ACI Capital Group, LLC.

Other Activities

Mr. Scott has been featured in Ebony Magazine (May 2010), he is the co-chair and vice president of the Scott Family Foundation an international Non Governmental Organization (NGO), he served as the financial chair for the Jackie Joyner Kersee Foundation in 2010. He is actively engaged in youth mentorship and he is a proponent of educational reform and healthcare reform.

Additional Compensation

Fredrick Scott, the founder and Chief Executive Officer of ACI Capital Group, LLC owns Acacia Conglomerate Inc. ("Acacia"), a real estate firm which is in the business of originating mortgage loans, listing and selling properties, and providing escrow and property management services. The Hedge Fund may, from time to time, utilize the services of such affiliated company in connection with the acquisition of real property investment assets. In such an event, Mr. Scott will receive an economic benefit with respect to any such transaction irrespective of the ultimate long-term profitability to the Hedge Fund of such investments. Mr. Scott's potential interest in Acacia, (i) as a mortgage originator, agent or broker for the Master Fund, (ii) as a representative of the Hedge Fund in the purchase or sale of real property by the Hedge Fund in California or (iii) in other real estate services Acacia may provide to the Hedge Fund from time to time, may create a greater incentive for him to recommend Acacia than would be the case in the absence of such arrangements were not in place. Additionally, this role may compete with or be different from his role as Chief Executive Officer of ACI Capital Group, LLC, and, in turn, his duty to the Hedge Fund. Notwithstanding the foregoing, ACI Capital Group, LLC believes that the Hedge Fund will benefit from Mr. Scott's skills, experience and relationships in the real estate mortgage origination field, and that Mr. Scott will be able to meet his obligation to act in the best interests of the Hedge Fund.

Supervision

As the Founder and Chief Executive Officer, Fredrick Scott maintains ultimate responsibility for the firm's operations.

