

Firm Brochure

(Part 2A of Form ADV)

ACA II Advisors, LLC

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This brochure provides information about the qualifications and business practices of ACA II Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at: 212-201-2500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registering with the United States Securities and Exchange Commission as an investment adviser does not imply a certain level of skill or training on the part of ACA II Advisors, LLC.

Additional information about ACA II Advisors, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

March 31, 2012

Item 2 Material Changes

This is the first firm brochure prepared by ACA II Advisors, LLC and therefore there are no material changes to report.

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Item 4 Advisory Business

ACA II Advisors, LLC (“ACA II Advisors”) provides real-estate related investment management services to Aetos Capital Asia II, Ltd. (“ACA II”), Aetos Capital Asia T.E. II, Ltd. (“ACA II TE”) and ACA II Co-Investment Fund, L.P. (“ACA II Co-Invest,” and collectively, the “ACA II Funds”). The ACA II Funds are investment funds that invest in real estate and real estate-related assets, primarily in Japan and China. The ACA II Funds are the sole clients of ACA II Advisors and are managed in accordance with their governing documents.

ACA II Advisors was formed in 2005 in connection with the launch of the ACA II Funds. A predecessor set of investment funds with investment objectives and strategies similar to those of the ACA II Funds was launched in 2001. Subsequent to the launch of the ACA II Funds, two more sets of investment funds with similar investment objectives and strategies were launched, in 2008 and 2010, respectively. (Together, the ACA II Funds and their predecessor and successor funds are referred to as the “Aetos Capital Asia Funds.”) Each set of Aetos Capital Asia Funds is managed by a different affiliated investment manager, but each of these four investment managers shares the same management team.

ACA II Advisors is a wholly-owned subsidiary of Aetos Capital, LP (“Aetos Capital”), an independent investment management firm offering institutional and high net worth investors real estate and absolute return investment advisory services. Aetos Capital has one partner that owns greater than 25% of its equity (a “principal owner”), which is The Allwin Family, LLC. The Allwin Family, LLC has two principal owners, which are the estate of James Allwin, the founder of Aetos Capital, who passed away in 2007, and the James M. Allwin 2001 Children’s Trust.

The Aetos Capital real estate organization has offices in New York, Tokyo, Hong Kong and Beijing. ACA II Advisors maintains an investment committee that reviews all investment acquisition recommendations made by Aetos Japan and Aetos China (each as defined below) and is responsible for all investment acquisition decisions.

New York

ACA II Advisors’ senior management team is based in New York. The New York based senior management team oversees all of the operations of the Aetos Japan and Aetos China teams described below, and is responsible for all investment decisions on behalf of the ACA II Funds. In addition, ACA II Advisors provides a wide variety of services to the ACA II Funds including: (i) investor relations and fundraising, (ii) investment monitoring, (iii) fund finance and reporting and (iv) tax and legal.

Japan

Aetos Japan, LLC (“Aetos Japan”) employs real estate professionals focused on investments in Japan. Aetos Japan provides ACA II Advisors with a full range of acquisition and asset management services, including investment sourcing, acquisition structuring, leasing and repositioning, disposition planning, and pricing recommendations on purchase and sale.

China

Aetos Capital Asia Limited and ACA II Advisors (Beijing) Limited (collectively, “Aetos China”) employ real estate professionals focused on investments in China. Aetos China provides ACA II Advisors with a full range of acquisition and asset management services, including investment

sourcing and due diligence, acquisition structuring and closing, strategic planning and investment monitoring.

As of September 30, 2011, ACA II Advisors had approximately \$997,059,601 of assets under management, and, in aggregate, the affiliated Aetos Capital investment managers to the Aetos Capital Asia Funds had approximately \$1,580,436,533 of assets under management, all of which was managed on a discretionary basis.

Item 5 Fees and Compensation

Certain fees described herein are subject to negotiation with investors.

Management Fees

ACA II Advisors is paid a management fee by each of ACA II and ACA II TE at an annualized rate of 1.5%. The management fee is paid quarterly in advance and is deducted from fund assets. Fund investors whose capital commitment exceeds \$100 million are entitled to a reduction of the management fee attributable to the portion of their commitment in excess of \$100 million.

Carried Interest

An affiliate of ACA II Advisors is entitled to a distribution of up to 20% of any gains realized upon the disposition of an investment (“Carried Interest”); provided that no Carried Interest distributions will be made if the Funds have not achieved a 10% annual compounded internal rate of return. A portion of the Carried Interest payments are placed in a reserve account and may be returned to the Funds for distribution to the Fund investors in the event Fund investors have not received a return of their invested capital plus a preferred return thereon.

Expenses

The ACA II Funds bear all of their own operating and investment-related expenses, including expenses related to organization, borrowing, deal structuring, legal, audit and fund administration. In addition, Aetos Japan and Aetos China provide asset management services to the Funds at a market rate for such services.

The Private Placement Memorandum for each of the ACA II Funds describes in greater detail the fees and expenses that are incurred by the Funds.

Item 6 Performance-Based Fees and Side-By-Side Management

An affiliate of ACA II Advisors may receive Carried Interest based on the performance of ACA II and ACA II TE. The potential to receive Carried Interest payments may create an incentive for ACA II Advisors to make investment decisions that are riskier or more speculative than would be made under a different fee arrangement. The ACA II Funds are fully invested and no longer making new investments. During the ACA II Funds' investment period, each of the ACA II Funds invested *pro rata* in each investment based on remaining capital commitments, eliminating the risk that ACA II Advisors would allocate investments in a more favorable manner to higher fee paying investors.

Item 7 Types of Clients

ACA II Advisors' only clients are the ACA II Funds. The ACA II Funds are not subject to registration under the Investment Company Act of 1940. The minimum capital commitment from each Investor in ACA II and ACA II TE was US\$5 million, although the Funds reserved the right in their discretion to accept lesser commitments. Minimum investment amounts for investors in ACA II Co-Invest were at the discretion of Aetos Capital.

In addition, shares in the ACA II Funds were available for purchase only by investors who were "accredited investors" as defined in Regulation D of the Securities Act of 1933 and, in the case of ACA II and ACA II TE, "qualified purchasers" for purposes of Section 3(c)(7) of the Investment Company Act of 1940.

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

Investment Strategy

As further discussed in the Private Placement Memorandum of the ACA II Funds, the ACA II Funds were formed to invest in (i) individual real estate assets and real estate portfolios, (ii) real estate development, property management, asset management and similar business ventures, (iii) mortgages and real estate-related loans, including mezzanine debt instruments, (iv) equity, debt or other interests secured by or related to real estate or issued by an entity or entities that own principally real estate or real estate-related assets, (v) equity, debt or other interests in entities with substantial real estate holdings and (vi) sub-performing and non-performing corporate unsecured debt and debt portfolios of entities that own principally real estate or real estate related assets, primarily in Japan and to a lesser extent in other countries in Asia.

The ACA II Funds are fully invested and no longer making new investments.

In Japan, the ACA II Funds invested primarily in real estate assets and real estate-related companies which ACA II Advisors believed to be fundamentally mispriced in the market due to the distressed nature of the assets or in situations where ACA II Advisors believed that the transaction dynamics offered opportunities to add value through active asset management strategies.

In China, the ACA II Funds invested primarily in residential and mixed-use development joint ventures in Tier II and III cities and a budget hotel company. The ACA II Funds also invested in several real estate assets in South Korea.

The Private Placement Memorandum for each of the ACA II Funds, which was provided to each prospective investor in the ACA II Funds prior to closing, contained the following information concerning ACA II Advisors' methods of analysis and the risks associated with an investment in an ACA II Fund.

Methods of Analysis

Prior to making an investment decision, ACA II Advisors evaluates its ability to add value through various asset management strategies and analyzes potential exit strategies. ACA II Advisors employs a disciplined process for acquiring, managing and disposing of investments. By utilizing an integrated approach in which the disposition strategy is an integral part of the investment and pricing decisions, ACA II Advisors seeks to mitigate risks while targeting attractive returns. Key elements of the ACA II Advisors investment process are as follows.

Sourcing: Aetos Japan, subject to the supervision of ACA II Advisors, sources investments in Japan through its Tokyo-based team, utilizing a network of relationships in the real estate community and with banks, other lenders and financial institutions, servicers, brokers, bankruptcy court officials, securities firms, corporations and other sources of investment product. Aetos China, subject to the supervision of ACA II Advisors, sources investments in China through its Hong Kong and Beijing-based professionals utilizing a network of relationships with Chinese developers, real estate operating companies, and financial institutions.

Disciplined Underwriting Methodology: ACA II Advisors' due diligence process includes conservatively projecting future cash flow proceeds and analyzing certain possible downside scenarios before making any pricing or investing decisions.

Pricing and Investment Decisions: In pricing investments and making investment decisions, ACA II Advisors will rely on input from the senior management of Aetos Japan and Aetos China. Aetos Japan and Aetos China will present investment and pricing recommendations to the ACA II Advisors Investment Committee, which will be responsible for all investment and pricing decisions. In making these decisions, the ACA II Advisors Investment Committee will consider a variety of factors, including risk considerations, current and anticipated market conditions, the ability to add value through asset management strategies, available financing and disposition strategies.

Value-added Asset Management: ACA II Advisors will seek to acquire investments where value can be enhanced by its active, value-added asset management strategy. The nature of the asset management strategy for any investment or asset will generally involve improving its financial performance, changing or optimizing the use of the asset and/or simplifying its capital structure in order to improve marketability. These strategies will be implemented directly by the asset management team of Aetos Japan, third-party operators subject to close supervision by Aetos Japan and the asset management team of Aetos China, all subject to the ultimate supervision of ACA II Advisors.

Dispositions: ACA II Advisors will seek to dispose of investments, or portions thereof, when their values have been maximized. ACA II Advisors has relationships with a broad group of agents, servicers, brokers and bankers, as well as principals, including private and institutional investors, financial corporations, real estate companies, J-REITs and Limited Property Trusts through which it seeks disposition opportunities.

Leverage: ACA II Advisors will seek to take advantage of the positive yield spread on the purchase of real estate assets created by the current low-interest rate environment by utilizing leverage in its investments in Japan.

While ACA II Advisors' investment process is designed to provide attractive returns, investments in Asian real estate may be volatile, and there is a risk that the ACA II Funds will lose money. Clients should consider this risk of a possible loss of capital when evaluating ACA II Advisors.

Material Risks

Real Estate Investment

The ACA II Funds' investments are subject to the risks inherent in the ownership of real estate assets. These risks include, but are not limited to, the burdens of ownership of real property, general and local economic conditions, adverse local market conditions, the financial conditions of tenants, buyers and sellers of properties, changes in building, environmental, zoning and other laws, changes in real property tax rates, changes in interest rates and the availability of debt financing, changes in operating costs, negative developments in the local, national or global economy, risks due to dependence on cash flow, environmental liabilities, uninsured casualties, acts of God, acts of war (declared or undeclared), hostilities, terrorist acts, strikes and other factors which are beyond the control of ACA II Advisors.

Concentration in Asia

The ACA II Funds expect to invest substantially all of their assets in Japanese and Chinese real estate and real estate-related investments. As a result of this concentration, the ACA II Funds

will be vulnerable to adverse Japanese and Chinese economic, political and market events, which could negatively impact the value of all of the ACA II Funds' investments.

Investment in Troubled Assets

The ACA II Funds expect to make investments in real estate-related assets and businesses which are experiencing or are expected to experience severe financial difficulties which may never be overcome. There may be little or no near-term cash flow available to the ACA II Funds. Since the ACA II Funds may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns. In addition, the ACA II Funds expect to make investments in non-performing, sub-performing, distressed, undercapitalized or other troubled assets, which may involve a high degree of financial risk.

Illiquidity of Investments

The investments to be made by the ACA II Funds are likely to be illiquid. Given the nature of the investments contemplated by the ACA II Funds, there is a significant risk that the ACA II Funds will be unable to realize their investment objectives by sale or other disposition at attractive prices, within any given period of time, or will otherwise be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the person or entity in which the investment is made, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which investments are made. In addition, illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on the resale of investments by the ACA II Funds.

Leverage

The ACA II Funds intend to use a substantial amount of leverage in connection with their investments. This leverage will increase the exposure of such investments to adverse economic factors such as significantly rising interest rates, severe economic downturns or deteriorations in the condition of the real estate investment or its market. Lenders or other holders of senior positions will be entitled to a preferred cash flow prior to the ACA II Funds receiving a return on leveraged investments, and, in the event an investment is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness, the value of the ACA II Funds' equity investment in such investment could be significantly reduced or even eliminated.

Hedging Policies/Risks

In connection with the consummation of certain investments, the ACA II Funds may employ hedging techniques designed to protect the ACA II Funds against adverse movements in currency exchange or interest rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks or react to movements in currency exchange or interest rates differently than originally expected. Thus, while the ACA II Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the ACA II Funds than if they had not entered into such hedging transactions. Furthermore, the ACA II Funds will be exposed to counterparty risk, and if a counterparty fails to perform the hedge may be of no value to the ACA II Funds.

Risks of Acquiring Real Estate Loans and Participations

Real estate loans acquired by the ACA II Funds may be at the time of their acquisition, or may become after acquisition, non-performing for a wide variety of reasons. Such non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that upon maturity of such real estate loan, replacement “takeout” financing will not be available. Purchases of participations in real estate loans raise many of the same risks as investments in real estate loans and also carry risks of illiquidity and lack of control. It is possible that ACA II Advisors may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by the ACA II Funds. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some jurisdictions, foreclosure actions can take up to several years or more to conclude. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Investments in Land/New Development

The ACA II Funds may acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing. To the extent that the ACA II Funds invest in such assets, they will be subject to the risks normally associated with such assets and development activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning, building, land use and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of the ACA II Funds, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the ACA II Funds. Properties under development or properties acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development which could make such development less attractive than at the time it was commenced.

Accounting Disclosure Standards

Accounting, auditing, financial and other reporting standards, practices, and disclosure requirements in countries in which the ACA II Funds may invest are not equivalent to those in the United States and certain Western European countries and may differ in fundamental ways. Accordingly, information available to the ACA II Funds, including both general economic and commercial information and information concerning specific enterprises or assets, may be less reliable and less detailed than information available in more economically sophisticated countries. In addition, in certain circumstances, the ACA II Funds may not receive access to all available information to determine fully the origination, credit appraisal and underwriting practices utilized with respect to potential investments or the manner in which such investments have been serviced and/or operated. As a result, the ACA II Funds’ due diligence activities may provide less information than the due diligence reviews conducted in more developed countries. The lower

standards of due diligence in certain countries will increase the risk related to the investments located in these countries.

Currency Rates

Fluctuations in currency rates may adversely affect the performance of the ACA II Funds' investments. Since foreign securities or other foreign assets are likely to be purchased with and payable in currencies of foreign countries, the value of these assets measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

Restrictions on Repatriation of Capital and Profits

Some countries in which the ACA II Funds may invest control, in varying degrees, the repatriation of capital and profits that result from foreign investment. Capital markets, often opaque, continue to be highly regulated and will likely be subject to continuing government restrictions. There can be no assurance that the ACA II Funds will be permitted to repatriate capital or profits, if any, from these countries.

Foreign Economic, Political, Regulatory and Social Risks

Investments by the ACA II Funds may be subject to economic, political, regulatory and social risks, which may affect the liquidity of such investments. The governments of certain of the countries in which the ACA II Funds may invest have exercised and continue to exercise substantial influence over many aspects of the private sector. The availability of investment opportunities for the ACA II Funds depends in part on governments continuing to liberalize their policies regarding foreign investment and to further encourage private sector initiatives. In certain jurisdictions, foreign ownership of real estate or real estate-related assets may be restricted, requiring the ACA II Funds to share the applicable investment with local third-party partners or investors, and there may be significant local land use and permit restrictions, local taxes and other transaction costs which adversely affect the returns sought by the ACA II Funds.

Ability to Enforce Legal Rights

Because the effectiveness of the judicial systems in the countries in which the ACA II Funds may invest varies, the ACA II Funds may have difficulty in successfully pursuing claims in the courts of such countries, as compared to those of the United States or other developed countries. Further, to the extent that the ACA II Funds may obtain a judgment but are required to seek its enforcement in the courts of another country, there can be no assurance that such a court will enforce such a judgment.

Taxation in Foreign Jurisdictions

The ACA II Funds or their underlying investors may be subject to income taxes or other taxes in jurisdictions outside of the United States. In addition, withholding taxes or other taxes may be imposed on earnings of the ACA II Funds from investments in such jurisdictions. Local taxes incurred in foreign jurisdictions by the ACA II Funds or entities through which they invest may not be creditable to or deductible by the ACA II Funds or their underlying investors.

Item 9 Disciplinary Information

Registered investment advisers are required to disclose material legal or disciplinary events that would be material to an evaluation of the adviser or the integrity of the adviser's management. There are no such legal or disciplinary events relating to ACA II Advisors or to any of the relying advisers designated in Schedule D.

Item 10 Other Financial Industry Activities and Affiliations

ACA II Advisors' only business is managing the ACA II Funds. As disclosed in Item 4, affiliated advisers utilizing the same personnel as ACA II Advisors provide investment management services to other funds following substantially the same investment program. Each of these affiliates is a relying adviser as further outlined in Schedule D. These affiliates are Aetos Capital Asia G.P., L.P., ACA III Advisors, LLC and ACA IV Advisors, LLC.

Because the ACA II Funds are fully invested and no longer making new investments and because the investment periods of the ACA II Funds and other funds advised by affiliates of ACA II Advisors did not overlap, there are no, and were no conflicts between the ACA II Funds and these other funds with respect to the allocation of investment opportunities.

As described in Item 4, Aetos Japan and Aetos China, foreign affiliates of ACA II Advisors, provide investment advisory services to the ACA II Funds indirectly through ACA II Advisors. Pursuant to No-Action letters including Uniao de Bancos de Brasileiros S.A, issued July 28, 1992, and Mercury Asset Management plc, issued April 16, 1993 (collectively, the "No-Action Letters"), neither Aetos Japan nor Aetos China is required to register under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

As described in Item 5, affiliates of ACA II Advisors provide asset management and similar services to the ACA II Funds for fees that are in addition to the management fees and Carried Interest described therein. Such services and fees are subject to certain contractual limitations set forth in the ACA II Funds' investment advisory agreement to mitigate potential conflicts of interest, and are also subject to the oversight and review of the ACA II Funds' Combined Investor Committee (the "Investor Committee").

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

ACA II Advisors has adopted a Code of Ethics applicable to employees of Aetos Capital who are associated with ACA II Advisors and to the members of the ACA II Advisors' Investment Committee ("collectively, "Access Persons") and that includes the following provisions, among others, and is available for review by clients and prospective clients upon request:

- each Access Person is responsible for maintaining the very highest ethical standards, including a duty at all times to place the interests of clients first, a duty to ensure that all personal securities transactions are conducted in accordance with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest, and a duty not to take advantage of his or her position or engage in any fraudulent or manipulative practice with respect to a client's account;
- each Access Person must comply at all times with applicable federal securities laws;
- each Access Person must periodically report personal securities holdings and transactions to the Chief Compliance Officer;
- each Access Person must obtain prior approval from the Chief Compliance Officer before he or she (or any related person) engages in any personal securities transaction, unless such transaction is specifically exempted under the Code of Ethics;
- each Access Person must report violations of the Code of Ethics to the Chief Compliance Officer; and,
- each Access Person must receive a copy of the Code (and any amendments) and must provide a written acknowledgment of his or her receipt and review of the Code (and any amendments).

Access Person are not permitted to invest in transactions that are recommended for the Funds. Certain Access Person have invested in ACA II Co-Invest, a fund offered to certain employees and other persons related to Aetos Capital that invests alongside ACA II and ACA II TE on a *pro rata* basis in accordance with their relative remaining capital commitments. Neither ACA II Advisors nor any of its affiliates engages in principal transactions with the ACA II Funds.

Item 12 Brokerage Practices

The ACA II Funds invest primarily in real estate assets that typically do not require the use of a broker. To the extent that the use of a broker is required for a specific transaction, ACA II Advisors' objective in choosing a broker is to achieve best execution, taking into account, among other things, execution quality and capabilities, including with regard to market making, commissions charged by and gross compensation paid to such broker, and special knowledge of the markets in which such securities traded.

A broker-dealer may act as agent for one or more clients in selling publicly traded securities simultaneously. In such a situation, transactions may, but are not required to, be bundled and clients will receive proceeds from sales based on average prices received, which may be lower than the price which could have been received had each client sold its securities separately from such broker-dealer's other clients.

Item 13 Review of Accounts

On an annual basis, a detailed asset plan is prepared for each property owned by the ACA II Funds. The asset plan for each property includes asset performance, detailed budgets and an assessment of relevant market conditions. For each investment, a business plan is prepared which includes projected cash flows factoring in the detailed property-level asset plans, investment financing and projected sales activity. The preparation and review of the business plans involves members from a number of ACA II Advisors' operations teams including asset management, disposition, accounting, tax, and finance, including personnel of ACA II Advisors, Aetos Japan and Aetos China. The business plans are then reviewed by the senior management of ACA II Advisors. On a monthly basis, each investment is reviewed by its asset management team to compare underlying asset performance to the business plan and material variances are reported to the senior management of ACA II Advisors.

The ACA II Funds provide written quarterly unaudited financial statements and annual audited financial statements to their underlying investors, which include written commentary with respect to each ACA II Fund investment.

The Investor Committee meets quarterly with ACA II Advisors and at each meeting receives a written report containing detailed information regarding the ACA II Funds' activities and investments.

Item 14 Client Referrals and Other Compensation

The ACA II Funds are no longer open to new investors and therefore will not be soliciting client referrals in the future. During the fundraising period for the ACA II Funds, ACA II Advisors utilized and compensated a placement agent with respect to certain non-U.S investors in the ACA II Funds. The use of this placement agent took place in 2005, before ACA II Advisors was required to be registered as an investment adviser under the Advisers Act.

Item 15 Custody

ACA II Advisors, as an investment manager deemed to have custody of the assets of the ACA II Funds, prepares and delivers quarterly account statements to each investor in the ACA II Funds. Additionally, each of the ACA II Funds is audited annually in accordance with US GAAP, and audited financial statements are provided to investors in the ACA II Funds within 120 days of fiscal year end.

Item 16 Investment Discretion

As the manager of the ACA II Funds, ACA II Advisors has discretion to determine, without consent of the ACA II Funds or their investors, the particular investments to be bought and sold, the broker or dealer to be used (if any) and the commission rates to be paid by the ACA II Funds in cases where a broker or dealer is used. ACA II Advisors provides investment advice to the ACA II Funds, subject to certain investment limitations regarding concentration and diversification, geography and type of permitted investments as set forth in the ACA II Funds' Private Placement Memorandum.

Investment discretion is granted to ACA II Advisors in the investment management agreement between the ACA II Funds and ACA II Advisors, which confers express authority to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, commitment to, monitoring of and disposition of investments.

Item 17 Voting Client Securities

While ACA II Advisors has authority to vote client securities, and accordingly maintains a proxy voting policy as required by Advisers Act Rule 206(4)-6, ACA II Advisors is rarely involved in proxy voting because client assets are generally invested in privately held real estate and real estate companies rather than in publicly traded securities. On occasion, ACA II Advisors may invest in publicly traded securities, and ACA II Advisors will take such action in response to a proxy solicitation as it believes to be in its clients' best interests. A copy of the proxy voting policy is available upon request

Item 18 Financial Information

Registered investment advisers are required in this Item 18 to provide certain disclosures about their financial condition. ACA II Advisors is not aware of any financial condition that impairs its ability to meet its contractual commitments to the ACA II Funds, nor has ACA II Advisors been the subject of a bankruptcy proceeding.