
ACRES Capital, LLC
Form ADV Part 2A
Disclosure Brochure
October 1, 2015

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Form ADV, Part 2; the “Disclosure Brochure” or “Brochure” provides information about the qualifications and business practices of ACRES Capital LLC., a New York limited liability company (“ACRES”).

If you have any questions about the contents of this Brochure, please contact Jaclyn Jesberger, General Counsel and Chief Compliance Officer for ACRES, at (516) 535-0015; jjesberger@acrescap.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.

Additional information about ACRES is also available at the SEC’s website www.adviserinfo.sec.gov (click on the link “Investment Adviser Search”, select “Investment Adviser Firm” and type in our name “ACRES Capital LLC”). The search results will provide you with both Parts 1 and 2A of ACRES’s Form ADV.

ACRES is registered with the SEC as an investment adviser. ACRES’s registration as an investment adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, serve as information for you to use to evaluate ACRES and should be considered in connection with any investment decisions relating to activity advised by ACRES.

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Item 2: Material Changes

This is the initial filing of this Brochure dated October 1, 2015

ACRES, at anytime, may update this Brochure and either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form).

If you would like another copy of this Brochure, please download it from the SEC's website as indicated above, or you may contact ACRES' Chief Compliance Officer, Jaclyn Jesberger, General Counsel and Chief Compliance Officer at (516) 535-0015; jjesberger@acrescap.com.

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Item 4: Advisory Business

A. Description of the Firm

ACRES Capital, LLC (“we” or “us” or “our” or “ACRES”), a New York limited liability company, was established in 2012. We are a specialty structured finance company which provides unique capital solutions for owners and operators of commercial real estate debt. We manage, advise and invest on behalf of separate accounts.

B. Types of Advisory Services

The Separate Accounts invest in commercial mortgage loan investments, commercial real estate and related assets. See Item 8 for more information with respect to the investment strategies of the Separate Accounts.

We provide investment management services to the following:

Separate Account

We advise a separate account for three institutional clients (“**Separate Account**”).

The term “**Client**” herein refers to the owner of the Separate Account.

As investment adviser to Clients, we identify investment opportunities and participate in the acquisition, management, monitoring and disposition of investments for each Client.

C. Client Tailored Services and Client Tailored Restrictions

The investment management agreements with our Separate Account clients currently do not provide us with investment discretion. See Item 16. Each Separate Account client has its own tailored investment strategy and Separate Account Clients may impose restrictions on investing in certain types of investments.

C. Wrap Programs

We do not participate in wrap fee programs.

D. Assets Under Management

As of December 31, 2014, we managed \$351,933,000.00 of Client assets on a non-discretionary basis and \$0 on a discretionary basis.

Item 5: Fees and Compensation

A. Fee Schedule; Prepayment of Fees and Refunds, Payment Method
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Separate Accounts

Separate Accounts pay a Management Fee, for servicing, management and origination services, which is generally based on a percentage of the aggregate amount invested at cost for the investments made for the account. Fees are individually negotiated. Management Fees are payable in advance on a quarterly basis.

The investment management agreement for a Separate Account may be cancelled at any time, by either party, for any reason, upon receipt of 30 days' written notice, or as otherwise agreed in the investment management agreement. If an investment management agreement is terminated by an investor of a Separate Account, a termination fee based on a percentage of the aggregate amount invested at cost for the investments made for the account will be payable to the manager.

In certain cases, other fees are earned in respect of the disposition of assets as provided in the Separate Accounts' Organizational Documents.

B. Other Fees and Expenses

Separate Account Clients may elect to have account assets held in the custody of a bank, trust company, broker-dealer or other entity selected by the Client or us. The Client bears any custodial fees associated with any such account. Any fees incurred by the Client will be in addition to the fee payable to us. See Item 15.

Separate Account Clients shall pay their pro rata share of any fees and expenses which (i) are directly attributable to any investment made on behalf of such Separate Account Client; (ii) are payable to third parties, including, without limitation, fees and expenses of third party consultants, attorneys and accountants, commission expenses and costs of litigation relating to such investment, (iii) are not subject to reimbursement on the part of any other party with respect to such investment.

Investors in a Separate Account are generally allocated their pro rata share of such additional fees and expenses. Most staff out-of-pocket travel expenses in connection with the Separate Accounts' transactions are treated as Separate Account expenses, subject to the terms of the Separate Accounts' Organizational Documents. ACRES will be required to decide whether costs and expenses are to be borne by a Separate Account, on the one hand, or ACRES. ACRES will make such judgments in a manner that it determines to be fair and reasonable in good faith, notwithstanding its interest in the outcome, and will make corrective allocations should it determine that such corrections are necessary or advisable.

C. Sales Compensation

Neither we, nor any of our supervised persons, accept or otherwise receive compensation in



connection with the sale of any other security or investment product.

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

Neither we, nor any of our related persons is obligated to allocate any specific amount of time to a particular Client. We and our related persons intend to devote as much time as is deemed necessary for the conduct of each Client's portfolio management, and will allocate investment opportunities in accordance with our allocation policy described in Item 12.B below.

To manage these potential conflicts, we have adopted a number of compliance policies and procedures. These policies and procedures include (i) the Code of Ethics (see Item 11), (ii) the Compliance Manual, and (iii) allocation policies which seek to ensure that investment opportunities are allocated on a fair and reasonable basis among Clients (as determined by ACRES, in good faith) and that all Client accounts are managed in accordance with their respective investment mandate (see Item 12). We do not consider fee structures in allocating investment opportunities.

Item 7: Types of Clients

Separate Accounts

We provide Separate Account services to a limited number of institutional investors capable of understanding the risks of their investments. The amount of invested capital committed to a Separate Account is negotiated with each Client.

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

A. Methods of Analyses

For each prospective investment, an in-house underwriting team is assigned to perform a ground-up analysis of all aspects of credit risk. We have developed the capability to apply this methodology to a high volume of investment opportunities through the combination of personnel, procedures and technology. On all levels, we incorporate input received from our finance, capital markets, credit and legal teams, as well as from various third parties, including our credit providers.

In our direct origination programs, we strive to design a customized structure for each investment that provides us with the necessary credit, yield and protective structural features while meeting the varying, and often complex, needs of our Clients.

We actively manage our Clients' portfolios. From the closing of an investment through its final repayment, our dedicated asset management team is in constant contact with our borrowers and servicers, monitoring performance of our collateral and enforcing our rights as necessary.

B. Investment Strategies

The following is a summary of the principal investment strategies employed by us. The material risks associated with each of these strategies is set forth in C. below. This is a summary only. Clients should look to their investment advisory agreements with us and other Client materials for a more complete description of each strategy. Clients should not rely solely on the descriptions provided below.

We provide advice on the following structured products:

- **Mezzanine Loans:** Loans secured by a pledge of an owner's equity interest in one or more properties.
- **B-Notes:** Subordinated participations in First Mortgage Loans that have typically been securitized.
- **First Mortgage Loans:** Senior mortgage loans secured by an individual property or a portfolio of properties.

Investment opportunities which are appropriate for more than one Client will be allocated by us according to our allocation policies as described further in Section 12.B below.

ACRES personnel meet as necessary to discuss the investment activities of the Separate Accounts (it being understood that the investment periods for certain of the Separate Accounts have ended). At that meeting, transactions and other relevant developments and/or activities regarding the Separate Accounts are discussed.

C. Material Risks

Investments in securities involve risk of loss that investors must be prepared to bear.

Investment Strategy Risks:

Separate Account Clients are also sophisticated and can understand and accept the risks associated with the investment strategy developed for them. Risks encountered by our Clients may include (but are not limited to):

- Investing in real estate related investments will expose the Client to a high degree of risk and the characteristics of Client investments (commercial mortgage loan investments) will give rise to certain risk factors
- The real estate investment business is highly competitive. Our investment success depends on our ability to compete with other providers of capital for real estate investments
- Clients will be exposed to lender liability risks including equitable subordination
- The success of our investments on behalf of our Clients will be dependent on the availability of, and the degree of competition for, attractive investments
- Our due diligence may not reveal all of the factors affecting an investment and may not reveal weaknesses in the underlying loans securing such investments
- Market factors outside of our control may affect the market value of investments
- Non-U.S. investments will expose Clients to certain risks
- Leverage Risk--We may not be able to obtain leverage; the use of leverage will expose Clients to heightened risk. We may not be able to liquidate assets quickly enough to repay borrowings, which will increase the losses incurred by the Client
- The impact of the events of September 11, 2001 and other acts of terrorism and the effect thereon on terrorism insurance expose Clients to certain risks
- Investments are subject to risks associated with a changing economic environment
- Investments may be subject to fluctuations in interest rates and hedging risks. In addition to such investment valuation risks, our investments are generally collateralized by commercial real estate and changes in interest rates may impact the value of the collateral securing our investment
- Our investments are secured by commercial property and are subject to risks of
- delinquency and foreclosure which depend on the operating performance of the underlying property
- Investments may be illiquid
- We may not be able to achieve diversification in investments made for Clients
- We may make investments with maturity dates later than the term of a Fund or Separate Account; it may be difficult to dispose such investments
- We may invest in non-performing assets that are subject to a higher degree of financial risk
- We may not have control over Client investments
- We may not achieve the Client's targeted rate of return on investments
- Clients may be exposed to the risks involved with making subordinated debt investments. Subordinated debt and related investments involve the risks attendant to real estate investments as well as additional risks attendant to investments in subordinated positions
- Some of Client investments and investment opportunities may be in synthetic form

- There are increased risks involved with construction lending activities
- Clients may make investments in, or may become the owner of, the equity of properties, portfolios and operating entities
- Clients may guarantee some of their leverage and contingent obligations
- A Client's use of leverage may create a mismatch with the duration and index of the investments that it is financing

Investors are advised to review the offering materials of applicable Separate Account for a more extensive description of the risks of investing in the Separate Accounts.

Stock markets, bond markets and real estate markets fluctuate substantially over time. As recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets ACRES manages that is out of its control. ACRES cannot guarantee any level of performance or that investors in the Separate Accounts will not experience a substantial or complete loss of their account assets.

There is no assurance that the Separate Accounts will be able to generate returns or that the returns will be commensurate with the risks inherent in their investment strategy. The marketability and value of any such investment will depend upon many factors beyond the control of ACRES. The expenses of the Separate Accounts may exceed their income, and an investor in a Separate Account could lose the entire amount of its contributed capital. The past investment performance of the Separate Accounts cannot be taken to guarantee future results of the Separate Accounts or any investment in the Separate Accounts.

Item 9: Disciplinary Information

ACRES does not have any legal, financial or other “disciplinary” item to report. As a registered investment adviser, ACRES is obligated to disclose any disciplinary event that would be material to the investor when evaluating an investor/adviser relationship.

Item 10: Other Financial Industry Activities and Affiliations

Other Financial Industry Activities

None.

Item 11: Code of Ethics

ACRES recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its investors; (ii) its long-term business interests are best served by adherence to the principle that the interests of investors come first; and (iii) it has a fiduciary duty to its investors to act in or not opposed to the best interests of the Separate Accounts. All ACRES personnel are required to act in accordance with the implied contractual covenants of good faith and fair dealing in respect of their dealings with investors and are required to comply with applicable laws.

ACRES is governed by our Code of Ethics (the “Code of Ethics”). The Code of Ethics governs a number of potential conflicts of interest which exist when ACRES provides advisory services to the investors in the Separate Accounts it manages. The Code of Ethics is designed to ensure that ACRES meets its fiduciary obligation to ACRES’ investors (or prospective investors) and to instill a culture of compliance within ACRES. An additional benefit of the Code of Ethics is to detect and prevent violations of securities laws.

The Code of Ethics is distributed to each employee at the time of hire and annually thereafter. ACRES also supplements the Code of Ethics with ongoing monitoring of employee activity. The Code of Ethics includes, among other items, the following:

- Requirements related to confidentiality;
- Limitations on, and reporting of, gifts and entertainment;
- Pre-clearance of political contributions;
- Pre-clearance and reporting of certain employee personal securities transactions;
- Pre-clearance of outside business activities; and
- Protection of persons who engage in “whistle blowing” activities from retaliation.

On an annual basis, ACRES requires all employees to certify that they are in compliance with the Code of Ethics.

ACRES’ supervised persons from time to time have bought or sold, or will subsequently buy or sell, for their personal accounts, securities which are also be purchased or sold for the account of our clients. ACRES and its related personnel are subject to guidelines governing the ability to trade in our personal accounts. The guidelines generally require that such trading be conducted for investment rather than speculative purposes (including by having minimum holding periods) and that all such personal securities transactions receive pre-clearance from ACRES’ Legal and Compliance Department. These guidelines are designed to comply with SEC requirements that registered investment advisors have a Code of Ethics. In addition, ACRES has implemented certain policies and procedures (e.g., information walls) to restrict access to material non-public information. The Code of Ethics is available for review upon request.

In certain cases, principal transactions may occur in connection with the investment activities of the Separate Accounts, subject to applicable legal, regulatory and contractual requirements. In such case, generally either the investors in the Separate Accounts, an advisory committee representing third party investors or an independent client representative of the Separate Accounts must receive notice of the transaction and consent to the transaction prior to the



closing of such transaction.

You may request a copy of the Code of Ethics by contacting Jaclyn Jesberger, General Counsel and Chief Compliance Officer for ACRES, at (516) 535-0015.

Item 12: Brokerage Practices

A. Criteria for Selection of Broker-Dealers
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In General-Brokerage Selection

ACRES does not enter brokerage transactions on behalf of the Separate Accounts. Therefore, a broker-dealer is not required to effect transactions in the Separate Accounts.

Research and Other Soft Dollar Benefits

ACRES does not utilize soft dollar agreements.

Brokerage for Client Referrals

We do not enter into agreements with, or make commitments to, any broker-dealer that would bind us to compensate that broker-dealer, directly or indirectly, for client referrals (or sale of fund interests) through the placement of brokerage transactions.

Directed Brokerage

We do not engage in directed brokerage transactions.

Item 13: Review of Accounts

All accounts are regularly reviewed by our senior investment professionals. Senior investment professionals, with the assistance of other investment professionals, regularly review and discuss portfolio status, potential investments, performance, and related issues.

Separate Accounts receive quarterly and annual (or if requested, more frequent) statements indicating their capital balances and the accounts balance sheet and income statement. These materials are provided with a report highlighting the developments for the period. Other Clients receive monthly or quarterly statements regarding their portfolios and activities during the period.

Item 14: Client Referrals and Other Compensation

A. Compensation by Non-Clients

We and/or our affiliates may be entitled to receive special servicing fees from the servicing of commercial mortgage loans underlying certain of our Clients' investments. We may obtain such special servicing assignments by exercising special servicing designation decision rights possessed by such Clients. These fees are in addition to other fees paid by such Clients and we may in certain circumstances reduce Client fees in connection with the receipt of such additional fees.

From time to time, we may receive transaction fees, including origination, acquisition, disposition, brokerage, investment banking, financing, break-up or similar fees from third party borrowers or property owners which are directly related to the activities of our Clients. Depending upon the terms of the Organizational Documents, these fees may be for our account or our Client's account.

Item 15: Custody

Separate Account

As a practical matter, we do not maintain physical possession of the funds or securities of any Separate Account. Physical custody of the assets of a Separate Account will be maintained with a bank, trust company, broker-dealer or other qualified custodian (a “**Qualified Custodian**”) selected by us in our exclusive discretion, which selection may change from time to time generally without the consent of investors in the Separate Account.

Although we do not have physical possession or custody of the assets of any Separate Account, under Rule 206(4)-2 of the Advisers Act, as amended (the “**Custody Rule**”), we are deemed to have “constructive custody” of the assets of the Separate Accounts by virtue of our relationships with our clients and our respective agreements.

As part of our custody agreements with our clients, we engage in the movement of funds into and out of the Separate Accounts. Receipts and disbursements are generally authorized by our Clients in one form or another. Clients are supplied copies of loan statements that detail monthly activities with respect to receipts and disbursements to and from various loan reserve and escrow accounts. Clients are also supplied comprehensive packages to support its approval of every borrowers request for funds from loan reserves or holdback accounts.

Qualified Custodian Statements

In order to comply with the Custody Rule, ACRES will provide notice to clients when a custody account is opened or information regarding the account changes. Additionally, ACRES will ensure and have a reasonable belief that the Qualified Custodian sends quarterly directly to clients that include all transactions during the quarter and ending balances of cash and holdings.

Surprise examination

ACRES engages an independent public accountant to examine the Separate Accounts through confirmation and other testing on a surprise date annually. The independent accountant must confirm cash and securities and investor balances on a sample basis. The accountant’s report of the examination (on Form ADV-E) will be submitted electronically to the SEC within 120 days of the surprise examination date, and will be made available publicly on the SEC website.

Item 16: Investment Discretion

We do not have any discretion.

Item 17: Voting Client Securities

As a fiduciary, an investment adviser with proxy voting authority has a duty to monitor corporate events and to vote proxies, as well as a duty to cast votes in the best interest of clients and not subrogate client interests to its own interests. Rule 206(4)-6 under the Advisers Act (the “**Proxy Voting Rule**”) places specific requirements on registered investment advisers with proxy voting authority. Due to the nature of our investment strategy, equity securities will generally not be a large portion of the investments of any Client. Nevertheless, because we have discretionary authority over the securities held by the Clients, we are viewed as having proxy voting authority over such securities. Accordingly, we are subject to the Proxy Voting Rule. To meet our obligations under this rule, we have adopted written Proxy Voting Policies and Procedures, which are available upon request. These policies and procedures are reasonably designed to ensure that we vote proxies in the best interest of the Clients and addresses how we will resolve any conflict of interest that may arise when voting proxies.

From time to time, conflicts may arise between the interests of the investor and the interests of ACRES. If ACRES determines that we have, or may be perceived to have, a conflict of interest when voting a proxy, ACRES will address matters involving such conflicts of interest on a case-by-case basis in a fair and equitable manner, subject to legal, regulatory, contractual or other applicable considerations. ACRES, in our sole discretion, may elect not to vote a proxy if unduly burdensome.

Investors may request a copy of the Proxy Voting Policies and Procedures and the voting records relating to proxies as provided by the Proxy Voting Rule by contacting Jaclyn Jesberger, General Counsel and Chief Compliance Officer for ACRES, at (516) 535-0015.

Item 18: Financial Information

We have never filed for bankruptcy as of the date of this ADV Part 2A and are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to our Clients.



Item 19: Requirements for State Registered Advisers

Not applicable as ACRES is not registered in any state.