

Real Estate Capital Partners, LP

Investment Adviser Brochure (Form ADV: Part 2A)

April 1, 2013

This brochure provides information about the qualifications and business practices of Real Estate Capital Partners, LP. If you have any questions about the contents of this brochure, please contact us at 212-843-6100. 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.

Additional information about Real Estate Capital Partners, LP also is available on the SEC's website at www.adviserinfo.sec.gov.

114 West 47th St., 23rd Floor
New York, NY 10036
212-843-6100
www.recp.com

ITEM 2 – MATERIAL CHANGES

Ownership interests in Real Estate Capital Partners, LP (“RECP”) have changed since its previous version of Part 2A, dated March 30, 2012. BHF Immobilien GmbH, (“BHF”) sold its entire 10.08% interest in RECP to other RECP partners pursuant to those provisions of RECP’s Agreement of Limited Partnership which govern sales by partners of their interests in RECP.

You can request our brochure at any time by contacting Robert McGee, Senior Vice President, Chief Financial Officer and Chief Compliance Officer, at 212-655-4393.

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ITEM 4 - ADVISORY BUSINESS

Real Estate Capital Partners, LP (“RECP”) was organized on August 14, 1989. RECP is owned 46.4% by HQFS, LP and 28.0% by IVG Institutional Funds, GmbH (“IVG”). IVG is wholly owned by IVG Immobilien AG, a company listed on the Frankfurt Stock Exchange. RECP provides investment advisory services to private funds (“clients”) that are typically organized as limited partnerships.

RECP invests client assets in U.S. real estate and entities engaged in investing in U.S. real estate. RECP creates and manages portfolios consisting of, but not limited to, existing and to be built apartment, office, industrial, retail and mixed-use properties. RECP tailors its investment strategy to its clients’ objectives, mandates and restrictions, which are set forth in each private fund’s offering documents. RECP’s advice is limited to U.S. real estate investments. Investors may not impose restrictions on investing in securities or in certain types of securities.

RECP offers a full range of real estate investment advisory services – selecting, analyzing and negotiating investments on behalf of its clients. Each client is represented in all aspects of the acquisition process including securing financing. RECP also acts as asset manager overseeing the development of annual budgets, rent collections, operating expenses, tenant improvements and capital expenditures. Lastly, RECP is involved in the ultimate sale of each investment.

As of December 31, 2012, RECP managed \$1,173,116,078 in assets on a discretionary basis.

ITEM 5 - FEES AND COMPENSATION

RECP’s compensation is determined commensurate with the strategy of each client and typically include management fees, acquisition and performance-based fees. RECP bills its clients in arrears for services rendered in accordance with the applicable fee schedule, which also indicates the frequency with which fees are charged. RECP prepares invoices for record keeping of its fees which are directly deducted from its clients’ accounts. Acquisition fees are earned when an investment acquisition is capitalized. Asset management fees are earned monthly. Performance-based fees are earned when specified return parameters have been achieved.

Clients are also subject to charges from financial institutions and other third parties such as tax compliance fees, audit fees, banking fees, custodial fees, tax preparation fees, appraisal fees, legal expenses and insurance as well as real estate operating level expenses (e.g., real estate brokerage fees, property management fees, etc.). The disclosure under Item 12 contains additional information regarding brokerage and other transaction costs.

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

RECP charges a performance-based fee to all of its advisory clients. If RECP had an advisory client that was only charged an asset-based fee, an inherent conflict of interest would exist since an investment manager can potentially receive greater fees from its performance-based fee clients than from its asset-based fee clients. For example, an investment manager has an incentive to direct the best investment ideas to, or allocate or sequence trades in favor of, the client that pays the performance fee. RECP's policies prohibit it from allocating trades or investment opportunities that favor any particular client, group of clients or affiliated and proprietary accounts.

ITEM 7 - TYPES OF CLIENTS

RECP provides its advisory services to private funds with specific investment strategies. RECP's private funds are typically limited partnerships for which RECP-related entities serve as the general partner. Private funds may have investment minimums set forth in their offering documents.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

RECP has long standing relationships with a network of developers, owners, banks and other market experts across the country which keep it constantly abreast of local, regional, and nationwide market trends and conditions. RECP identifies market and demographic trends, and then develops short-, medium-, and long-term investment and asset management strategies accordingly. It employs a number of tools to underwrite properties and to project future cash flows. In addition, it has developed several proprietary models which allow it to sensitize an analysis for key variables and detail all assumptions in the underwriting. It also utilizes a wide range of information sources, including professional real estate consultants, government data and statistics, industry analysis, and research by national real estate firms.

Client investments are subject to the risks associated with the ownership and development of real estate, including risks associated with changes in the general economic climate, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, accelerated construction activity, the availability of financing, changes in interest rates, competition based on rental prices, energy and supply shortages, various uninsured and uninsurable risks and government regulations.

In addition, investments in real estate or interests in real estate are highly illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors (whether for the financing or refinancing of investments or for potential purchasers of the investments).

Investing in private funds may be considered speculative, illiquid and may involve a significant degree of risk. It is only appropriate for persons who can evaluate the risks associated with an investment in private funds and can bear the financial risks involved. Such an investment is suitable only for a limited portion of the risk segment of an investor's portfolio. Prospective investors should read carefully the private fund's offering documents in their entirety and consider the risk factors discussed therein when evaluating the merits and suitability of an investment in a private fund.

There is no assurance that the above is a complete description of all risks of an investment or that there are no other risks that may exist now or that may arise in the future in connection with an investment. Strategies and risks related to the client are described in greater detail in the client's offering documents and similar documents and this description is qualified in its entirety by those materials with respect to the client.

Investing in securities involves risk of loss that clients should be prepared to bear.

ITEM 9 - DISCIPLINARY INFORMATION

RECP and its employees have no legal or disciplinary events to disclose.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The relationships described and listed below result from RECP's ownership structure and do not create a conflict of interest.

- IVG has a 28.0% ownership interest in RECP. IVG is a fund management company licensed under German law and supervised by the German Banking Supervisory Authority. IVG also controls IVG Luxembourg Sarl ("IVG-Lux"), a fund management company under Luxembourg Law. IVG and IVG-Lux are also investment advisers.
- HQFS, LP has a 46.4% ownership interest in RECP. HQFS, LP has an ownership interest in Auda International, LP, an investment adviser.

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

RECP enforces a Code of Ethics (the “Code”) to promote the highest levels of ethical conduct among its supervised persons. The Code includes the following general principles: 1) the duty at all times to place the interests of clients first, 2) the requirement to conduct personal securities transactions in such a manner as to avoid any actual or potential conflict of interest, 3) the fundamental standard that RECP and its supervised persons exercise independent, unbiased judgment in the investment decision-making process.

The Code stipulates that supervised persons are not permitted to use their knowledge of proposed or actual recommendations or transactions to profit personally. The Code restricts the personal receipt of investment opportunities, perquisites, or gifts from persons doing or seeking business with RECP that could call into question the supervised person’s independent judgment.

Supervised persons are also prohibited from sharing non-public personal information of clients or investors without permission and unless necessary to complete a transaction on the client’s or investor’s behalf. In addition, RECP limits access to non-public personal information to those supervised persons that need access to such information to provide services to the client or investor.

RECP’s supervised persons may have a financial interest in certain private funds directly, as investors, or indirectly, as owners of the general partner or investment manager of the private funds. As a result of these interests, an incentive exists to favor certain private funds. For example, an incentive exists to allocate limited investment opportunities to such private funds. An incentive also exists to recommend that investors invest in such private funds to increase the general partner or investment managers’ advisory fees. RECP prohibits employees from allocating trades or investment opportunities that favor any particular client, group of clients or affiliated and proprietary accounts.

This summary is qualified in its entirety by RECP’s Code. Contact Robert McGee at 212-655-4393 or RMcGee@recp.com to request a copy of the Code.

ITEM 12 - BROKERAGE PRACTICES

RECP may select the broker used to effect transactions in real estate. In selecting brokers, RECP consider the broker’s execution capabilities, reputation and access to the markets for the real estate transactions. Although obtaining the lowest fee is a factor in selecting or recommending a real estate broker, RECP does not necessarily direct transactions to the broker that offers the lowest commissions.

Cash management practices are typically set forth in a private fund’s offering documents. Cash may be invested in products offered by the bank, such as proprietary money market funds, or may be held in interest-bearing checking accounts.

RECP is committed to allocating potential transactions among its clients in a fair and equitable manner. If a new RECP client has overlapping investment objectives with an

existing client, RECP will not make investments for the new client until such existing funds are at least 75% invested. In a situation where an investment opportunity is suitable for one or more clients, RECP will allocate the investment to the client whom it determines the investment is most suitable, based on secondary factors such as a client's available capital or geographic diversity of a client's current portfolio. RECP may also arrange for clients to co-invest in an investment opportunity.

ITEM 13 - REVIEW OF ACCOUNTS

RECP generally provides written quarterly reports to investors. These reports may contain a narrative market update, a project summary and financial statements.

Client accounts are reviewed two to four times per year by the employees listed below. Numerous topics are discussed during these reviews including year-to-date performance and current market conditions.

- Karin Shewer, President
- Paul Doocy, Executive Vice President
- Sylvia Gross, Director of Capital Markets
- Andre Kinney, Director-Asset Management
- Stefan Grahm, Consultant/European Representative

RECP also meets with investors on a one-on-one basis generally at least once a year.

ITEM 14- CLIENT REFERRALS AND OTHER COMPENSATION

RECP does not receive any economic benefit from a non-client for providing investment advisory services. In addition, RECP does not compensate any person for client referrals.

ITEM 15 - CUSTODY

RECP has custody over client funds and securities. Investors in the private funds will receive account statements directly from the qualified custodian(s) that hold such assets on a quarterly basis. Investors should carefully review those statements and compare them to any statements they receive from RECP.

ITEM 16 - INVESTMENT DISCRETION

RECP has discretionary authority to acquire or dispose of its client's assets. This authority, along with any limitations to this authority, is set forth in each private fund's offering document. In the case of one client, in which the majority of the investors are subject to ERISA-compliance, such terms include the investor's right to opt out of certain investments for legal, tax, regulatory or other similar reasons.

ITEM 17 - VOTING CLIENT SECURITIES

RECP's clients generally do not hold voting securities. In the event that a client holds voting securities, RECP will adopt and implement written policies and procedures that are reasonably designed to ensure that it votes client securities in the best interest of clients and in a manner that is not a product of a material conflict of interest between RECP and the client. RECP would disclose these policies and procedures to clients and describe to them how to obtain information from RECP about how their securities were voted.

ITEM 18 - FINANCIAL INFORMATION

RECP is financially capable of meeting all contractual commitments to its clients.