

Form ADV Part 2A – Disclosure Brochure

Arel Capital, LP

March 26, 2015

540 Madison Ave., 26th Floor
New York, NY
Tel: 212.920.4901
Fax: 212.888.5679
Website: www.arelcapital.com

This brochure provides information about the qualifications and business practices of Arel Capital, LP, an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 212.920.4901 or Gabriel.bousbib@arelcapital.com

This information has not been approved or verified by the SEC or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. Additional information about Arel Capital, LP also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

There are no material changes to report in this update to the Arel Capital, LP Form ADV Part 2A, Disclosure Brochure.

Since the initial filing the number of private funds managed by Arel Capital, LP has increased from 7 to 18, and assets under management has increased from \$47 million to \$155 million.

ITEM 3: TABLE OF CONTENTS

Item Number	Contents	Page
1	Cover	1
2	Material Changes	2
3	Table of Contents	3
4	Advisory Business	4
5	Fees and Compensation	5-6
6	Performance-Based Fees and Side-by-Side Management	7
7	Types of Clients	8
8	Methods of Analysis, Investment Strategies and Risk of Loss	9-11
9	Disciplinary Information	12
10	Other Financial Industry Activities and Affiliations	12
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13-14
12	Brokerage Practices	15-17
13	Review of Accounts	18
14	Client Referrals and Other Compensation	19
15	Custody	19
16	Investment Discretion	20
17	Voting Client Securities	21
18	Financial Information	21

ITEM 4: ADVISORY BUSINESS

Arel Capital, LP, (“Arel” or the “Firm”) based in New York, NY, was formed in January 2013 to make and manage investments by pooled investment vehicles structured as limited partnerships or other similar entities (each a “Fund” or “Client” and collectively, the “Funds” or “Clients”) in real-estate assets. Currently, Arel services the following Funds:

- Arel New York I, LP
- Arel New York II, LP
- Addickstone LLC
- Arel Houston II LLC
- Arel Capital Partners I LLC
- Arel Capital Partners II LLC
- Arel New York Development I LP
- Arel River Oaks Holdings LP
- Arel River Oaks Mezz LLC
- Arel River Oaks LLC
- Arel NY Meatpacking LP
- Arel Partners Meatpacking LP
- Arel New York III LP
- Wild Basin Road LP
- Arel Funding I LP
- Arel Denver I LLC
- Arel Austin I LP
- Arel Starrstruck LP

Arel acts as the asset manager or managing member of each Fund.

Arel was founded by its principal owners, Richard Leibovitch and Gabriel Bousbib. Mr. Leibovitch was a founding partner and the former Chief Investment Officer of Gottex Fund Management, an \$8 billion publicly-traded asset management firm. Mr. Bousbib was the Chief Operating Officer of Gottex Fund Management. The two have worked closely and successfully together in the past.

Arel selects real-estate assets with a particular emphasis on mid-sized multifamily residential properties (\$10 mm to \$75 mm), primarily in North America. Depending on the properties, their location, their potential for value-added developments, Arel will seek to generate returns through a combination of operating income and property price appreciation.

Arel tailors its advisory services to the specific investment objectives and restrictions of each Fund as set forth in each Fund’s offering memorandum, limited partnership agreement, limited liability company agreement, or “side letters” (collectively, the “Documents”). Arel does not vary its investment advice from the terms of these Documents. In accordance with common industry practice, the Funds may enter into “side letters” or side agreements with certain

Form ADV Part 2A
Disclosure Brochure

investors in the Funds, pursuant to which Arel may grant an investor specific rights, benefits, or privileges. These arrangements typically clarify any regulatory, informational and interpretational issues with the other Documents and may also include changes in the financial terms in consideration for the size of the investment for such investor. These arrangements do not provide preferential liquidity treatment to such investor.

Arel does not participate in any wrap-fee programs.

As of March 20, 2015, Arel had approximately \$199 mm of committed capital, of which \$155 mm was called, in discretionary assets and \$-0- in non-discretionary assets under management.

ITEM 5: FEES AND COMPENSATION

Arel typically charges the Funds an annual management fee equal to 1% of a Fund's aggregate capital contributions during the investment period. The fee is payable either monthly or quarterly and is prorated for any partial year.

Management fees are billed to each Fund and paid by the Fund from its assets. To obtain cash for the payment of management fees, the manager of the Fund may draw down investors' capital commitments.

Arel also receives an acquisition fee in connection with the evaluation and acquisition of the investment properties. In general, the Funds pay Arel an acquisition fee up to two percent (2.0%) of the purchase price of the investment properties, which shall be earned at the closing of the purchase of such properties.

Please see each Fund's respective operating agreement or partnership agreement for further details regarding the management fee and the acquisition fee.

The Funds generally invest on a long-term basis. Accordingly, management and other fees are expected to be paid, except as otherwise described in each Fund's Documents, over the terms of the Funds, and investors generally are not permitted to withdraw or redeem interests in the Funds.

In addition, each Fund will be subject to other investment and administrative expenses such as legal, auditing, consulting and accounting expenses, expenses of the advisory board and meetings of the investors, taxes, fees or other governmental charges, preparation and distribution of reports, insurance, other expenses associated with the acquisition, holding and disposition of its investments and all third-party expenses in connection with transactions not consummated and extraordinary expenses (such as litigation). The Funds pay organizational expenses incurred in their formation.

The Funds may incur brokerage and other transaction costs. Please see Item 12 for more information about Arel's brokerage practices.

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

Affiliates of Arel receive performance based fees. Those affiliates normally act as the general partner of the Funds and/or as special members of entities majority owned by the Funds

ITEM 7: TYPES OF CLIENTS

Arel provides advice directly to the Funds, currently its only clients, and not to individual investors. The Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”) and the securities purchased for the portfolios are not registered under the Securities Act of 1933, as amended. The Funds are not offered through any form of general solicitation or general advertising. Access to information about the Funds is limited to investors who meet specified minimum investment criteria relating to their financial holdings, investment experience, etc. The Funds’ investors are typically institutions and high net worth individuals.

Details concerning minimum initial and additional subscription amounts are found in the Funds’ Documents.

***ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES
AND RISK OF LOSS***

The Company focuses on buying real-estate assets, with a particular emphasis on mid-sized multifamily residential properties (\$10 mm to \$75 mm), primarily in North America. Depending on the properties, their location, their potential for value-added developments, the Company will seek to generate returns through a combination of carry and property price appreciation.

Sourcing and Evaluation

Arel concentrates on markets with which it is familiar and has strong relationships (e.g. New York, Texas, Massachusetts, Ontario, and Washington, D.C. Metro Area), as well as large metropolitan centers with diverse and growing economy and attractive valuations (e.g. Philadelphia, Houston, Atlanta, Denver, Phoenix). Within these markets the focus is on growing neighbourhoods with improving demographic trends and positive business climate, and properties with market value below construction value. Arel will then develop pro-forma models with assumptions that are verified by local partners to identify the source of value in the transaction.

Due Diligence

Onsite due diligence is conducted by both Arel partners as well as by an independent property management partner. Arel works with top third-party service providers to verify assumptions and provide service to the property, and uses local contacts to understand source of value in the transaction. The firm will then perform relative value comparison to validate its original assumptions.

Operating Partnership

Arel has developed relationships in property development, property management, brokerage, legal and accounting. Property performance is reviewed monthly and properties are normally visited quarterly. Efficiencies are created by standardizing operations using the highest industry standards for property management.

Harvesting

In order to increase potential return, Arel focuses on growing net operating income (“NOI”) for refinancing opportunities and looks to sell when NOI is maximized and alternatives for capital redeployment are available. Dialogue with limited partners as to their goals and objectives will guide exit strategy. Typically, Arel will exit through refinance or sale over a 36 to 48 month period.

Risks Related to Investment Strategy

Potential for Loss of Investment

The Funds are subject to risks associated with the direct ownership of real estate and an investment in the Funds will be closely linked to the performance of real estate markets. These

Form ADV Part 2A Disclosure Brochure

risks include, among others, declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds or other limits to accessing the credit or capital markets; defaults by borrowers or tenants, particularly during an economic downturn; and changes in interest rates.

The Funds are also subject to specific risks linked to the particular strategy employed, including but not limited to the inability to convert rent regulated units to free market units, completion of conversion projects from rental to condominium as well permitting and construction delays.

Dependence on Principals

The success of Funds will depend on the Arel's ability to identify and consummate suitable investments, to manage and monitor those investments, and to dispose of the Funds' investments at a profit. Arel's success will, in turn, be highly dependent on its investment principals. The loss of one or more of these individuals could have a material adverse effect on the performance of the Funds.

Although the Arel's principals will commit substantially all of their business efforts to the firm, they are not all required to devote all of their time to the Funds' affairs.

Illiquidity of Investments

An investment in the Funds requires a long-term commitment with no certainty of return. It is unlikely there will be near-term cash flow. Most of Funds' investments will be illiquid, and there can be no assurance that the Funds will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy time period.

No Market for Interests; Restrictions on Transfer

The Funds' interests have not been registered under the Securities Act or state securities laws, and therefore cannot be sold unless they are subsequently registered under the Securities Act and other applicable securities laws, or an exemption from such registration is available. The Funds do not contemplate registering the interests under the Securities Act or other applicable securities laws. There is no public market for the interests in the Funds, and none is expected to develop. Moreover, an interest is not generally transferable without approval by Arel. In addition, limited partners may not withdraw capital from the partnership. Therefore, an investment in the Funds should be considered illiquid.

These strategies and the investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

ITEM 9: DISCIPLINARY INFORMATION

This item is not applicable.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

None.

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

Code of Ethics and Personal Trading

Arel has adopted a Code of Ethics in accordance with Section 206 of the Investment Advisers Act of 1940 and Rule 204A-1 under that Act (the “Code”). The Code provides for a high level of ethical conduct applicable to the Firm’s partners and employees (“Access Persons”), and obligates all Access Persons to put Clients’ interest over their own. The purposes of the Code are to (i) educate Access Persons about Arel’s expectations and the laws governing their conduct, (ii) remind Access Persons that they are in a position of trust, (iii) protect Arel’s reputation, (iv) guard against violation of the Federal Securities Laws, (v) protect Clients by deterring misconduct, and (vi) establish procedures for Access Persons to follow to assess compliance with our ethical principles. Arel’s Chief Compliance Officer (“CCO”) monitors compliance with the Code by reviewing required disclosures of personal securities accounts and transactions, gifts and entertainment, political contributions, outside business activities and other affirmations of compliance by Access Persons.

Arel, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which Arel or its related persons have invested or seek to invest. The Code includes policies and procedures concerning “inside information” that are designed to prevent the misuse of material, non-public information. Access Persons are required to certify to their compliance with the Code, including the Insider Trading Policy, on a periodic basis. Arel is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of another person, regardless of whether such person is a Client. The Firm maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to ensure that the Firm is meeting its obligations to Clients and remaining in compliance with applicable law.

Potential or existing investors in Arel-sponsored Funds may request a copy of the Code by contacting Arel’s CCO, Gabriel Bousbib, at (212) 920-4901 or by electronic mail at: Gabriel.Bousbib@arelcapital.com.

Participation or Interest in Client Transactions

Certain principals, employees and affiliates of Arel have invested in the Funds through its

Form ADV Part 2A Disclosure Brochure

general partner and/or or as limited partners. Each Fund or its general partner, as applicable, may reduce all or a portion of the management fee related to investments held by such persons. For further details regarding other conflicts of interest, please see “Conflicts of Interest” immediately below.

Conflicts of Interest

The Funds have a diverse range of limited partners that may have conflicting interests stemming from differences in investment preferences, tax status and regulatory status. Arel will consider the objectives of the Funds and the partners as a whole when making investment decisions with respect to the selection, structuring and sale of portfolio investments. However, such decisions may be more beneficial for one limited partner than for another. Other possible conflicts of interest that may affect the Funds include:

- Follow-on investments may present conflicts of interest, including determination of the equity component and other terms of the new financing.
- The general partner of a Fund may determine in good faith that it is in the best interests of that Fund to offer all or a portion of an investment opportunity to specific limited partners who have expressed an interest in co-investment opportunities, or to other third parties. Conflicts of interest may arise in the allocation of such co-investment opportunities to specific limited partners or other parties.
- The existence of Arel’s performance based fee may cause the Funds to make higher risk investments than it would otherwise make in the absence of performance-based compensation.
- Conflicts of interest may arise in allocating management time among the Funds and the other activities of the principals, future investment funds, Arel, and their respective affiliates.

ITEM 12: BROKERAGE PRACTICES

As The Funds invests primarily in private equity ventures, investments in publicly traded securities will generally be infrequent occurrences (e.g., money market instruments). However, to meet its fiduciary duties to the Funds, Arel has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

Selection of Brokers and Dealers

Arel has, subject to the direction of the Funds's general partner, sole discretion over the purchase and sale of investments and the selection of the broker or dealer, if any, to be used to effect transactions. In placing each transaction for The Funds involving a broker-dealer, the Firm will seek "best execution" of the transaction. "Best execution" means obtaining for the Funds the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputation and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, Arel takes into account all factors that it considers relevant to the broker's or dealer's execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Arel does not generally receive "soft dollars" in connection with its use of broker-dealers.

Arel did not acquire any products or services (other than execution) with Client brokerage commissions during the last fiscal year.

Arel does not consider, in selecting broker-dealers, whether the broker-dealer has referred Clients to Arel or an affiliate.

Arel does not permit a Client to direct brokerage to particular broker-dealers.

ITEM 13: REVIEW OF ACCOUNTS

Oversight and Monitoring

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly, Arel's review of the portfolios is not directed toward a short-term decision to dispose of securities. Arel's investment staff continuously monitors the performance of assets held by the Funds, with formal review meetings held monthly.

Reporting

Arel issues quarterly and annual reports to partners that include partnership financial statements, write-ups describing portfolio company results and a summary of the period's developments. The Funds furnish the partners with audited financial statements annually.

During the Funds' terms, an annual meeting of the partners is generally held. The purpose of this meeting is to discuss the partnerships' affairs, and it is purely informational in nature.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Arel does not have any arrangements pursuant to which someone other than the Funds provides an economic benefit to Arel for providing investment advice or advisory services to the Funds.

ITEM 15: CUSTODY

At times, Arel is deemed to have custody of its clients' funds. Arel provides quarterly investor statements.

ITEM 16: INVESTMENT DISCRETION

Investment advice is provided directly to the Funds under the direction and control of Arel and not individually to the investors in the Funds.

ITEM 17: VOTING CLIENT SECURITIES

With respect to securities owned by the Funds, Arel has adopted and implemented policies and procedures reasonably designed to ensure that proxies are voted in the best interest of the Funds. The guiding principle by which the Firm votes all proxies is the maximization of the ultimate long term economic value of the relevant Fund holdings.

Arel does not permit proxy voting decisions to be influenced in any manner that is contrary to this guiding principle. In exercising its voting discretion, the Firm seeks to avoid any direct or indirect conflict of interest whether it is actual or perceived. Arel's CCO has the responsibility to monitor votes for any conflicts of interest and to use her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with her independent assessment of the best interests of the Fund.

Copies of relevant proxy records identifying how proxies were voted in connection with the Funds and copies of proxy voting policies are available to any Client, investor or prospective investor upon written request to: Gabriel Bousbib, Chief Compliance Officer, Arel Capital LP, 540 Madison Ave., 26th Floor, New York, New York.

ITEM 18: FINANCIAL INFORMATION

This item is not applicable.