



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

July 6, 2017

Elizabeth P. Gray, Esq.
Wilkie Farr & Gallagher LLP
1875 K Street, N.W.
Washington, DC 20006-1238

Re: In the Matter of Paramount Group Real Estate Advisor LLC
Paramount Group, Inc., Paramount Group Operating Partnership LP, and Paramount Group Management GP, LLC – Waiver Request of Ineligible Issuer Status under Rule 405 of the Securities Act

Dear Ms. Gray:

This is in response to your letter dated June 23, 2017, written on behalf of Paramount Group, Inc., Paramount Group Operating Partnership LP, and Paramount Group Management GP, LLC (together, "Paramount") and constituting an application for relief from Paramount being considered "ineligible issuer[s]" under clause (1)(vi) of the definition of ineligible issuer in Rule 405 of the Securities Act of 1933 ("Securities Act"). Paramount requests relief from being considered ineligible issuers under Rule 405, due to the entry on July 6, 2017 of a Commission Order ("Order") pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") against Paramount Group Real Estate Advisor LLC ("Paramount REA"). The Order requires that, among other things, Paramount REA cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

Based on the facts and representations in your letter, and assuming Paramount REA complies with the Order, the Commission has determined that Paramount has made a showing of good cause under clause (2) of the definition of ineligible issuer in Rule 405 and that Paramount will not be considered ineligible issuers by reason of the entry of the Order. Accordingly, the relief described above from Paramount being ineligible issuers under Rule 405 of the Securities Act is hereby granted. Any different facts from those represented or failure to comply with the terms of the Order would require us to revisit our determination that good cause has been shown and could constitute grounds to revoke or further condition the waiver. The Commission reserves the right, in its sole discretion, to revoke or further condition the waiver under those circumstances.

For the Commission, by the Division of Corporation Finance, pursuant to delegated authority.

Sincerely,

/s/

Tim Henseler
Chief, Office of Enforcement Liaison
Division of Corporation Finance

VIA FEDERAL EXPRESS AND ELECTRONIC MAIL

June 23, 2017

Tim Henseler, Esq.
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: In the Matter of Paramount Group Real Estate Advisor LLC (NY-9251)

Dear Mr. Henseler:

This letter is submitted on behalf our clients, Paramount Group, Inc. (the “Parent”) and its direct or indirect majority-owned subsidiaries, Paramount Group Operating Partnership LP (“Paramount OP”) and Paramount Group Management GP, LLC (“Paramount TRS”), in connection with the settlement of an administrative proceedings before the Securities and Exchange Commission (the “Commission”). Pursuant to Rule 405 promulgated under the Securities Act, we hereby request that the Commission or the Division of Corporation Finance, acting pursuant to delegated authority, determine that for good cause shown it is not necessary under the circumstances that the Parent, Paramount OP or Paramount TRS (each, an “Issuer” and collectively, the “Issuers”) be considered an “ineligible issuer” under Rule 405 of the Securities Act. The Issuers respectfully request that this determination be made effective upon the resolution of the aforementioned administrative proceeding.

We believe that relief from the ineligible issuer provisions is appropriate for the reasons articulated below, including but not limited to (i) the isolated nature of the violative conduct; (ii) the fact that none of the violative conduct pertains to activities undertaken by any of the Issuers in connection with its role as an issuer of securities; (iii) the considerable efforts undertaken by Paramount Group Real Estate Advisor LLC (the “Company”) to remediate and enhance its policies and procedures disclosure; and (iv) the burden that would be placed on the Issuers if the waiver is not granted.

Background

This matter concerns the Company's conduct with respect to a transaction between two private funds it advised. In March 2014, the Company, a registered investment adviser, caused Paramount Group Real Estate Fund III, L.P. ("Fund III") to sell one of its investments in real property, a parking garage, to Paramount Group Residential Development Fund, L.P. ("RDF"). In connection with the transaction, the Company failed to cause RDF to reimburse Fund III \$4.5 million for certain development expenses Fund III had incurred before the sale, despite the Company's commitment to Fund III's investor advisory committee ("Fund III IAC") at the time the Fund III IAC approved the sale that the reimbursement would be made. Specifically, the Company failed to seek approval from the Fund III IAC, or the Fund III Limited Partners, to eliminate the reimbursement requirement as a condition of the sale, and failed to disclose its decision to them at the time based on overall pricing factors, that no such reimbursement would be made. Fund III's 2014 and 2015 financial statements disclosed the removal of the reimbursement requirement from the transaction and explained that, because the expected pricing was significantly exceeded and assumed in part certain residential development of the property, Fund III originally bore its own development expenses. These financial statements were provided to Fund III Limited Partners on April 30, 2015 and April 18, 2016, respectively, well after the March 2014 transaction, and did not constitute obtaining the Fund III IAC's consent.

The garage served as collateral for loans against the entire property and Fund III's lenders required it be sold for no less than the average of the highest two of three independent appraisals. The independent appraisals the Company obtained valued the garage at \$49 million, \$56 million, and \$73.1 million. Unlike the two lower appraisals, which valued the garage as currently zoned, the \$73.1 million appraisal was premised on the garage's ability to obtain the beneficial zoning changes. As a result, in March 2014, based on the average of the two highest independent appraisals, the Company caused Fund III to sell its investment in the garage to RDF for \$64.65 million.

At the time, the Company decided not to cause RDF to reimburse Fund III for the development expenses Fund III incurred in an effort to get the garage upzoned for the proposed size of the residential tower before the sale. In the Company's view, the final price RDF paid to Fund III already reflected the increased value that would result from the upzoning and related expenses because one of the two appraisals ultimately used to calculate the purchase price effectively assumed the upzoning would be achieved.

In July 2015, staff of the Commission's Office of Compliance Inspections and Examinations ("OCIE") conducted an examination of the Company and raised concerns about the Company's failure to cause RDF to reimburse Fund III for the garage development expenses. On August 19, 2015, after OCIE examination findings and further discussion with OCIE and Division of Enforcement staff, CNBB-RDF Holdings, LP, an entity owned by the previous owners of Paramount Group, Inc.'s predecessor, reimbursed the Fund III Limited Partners for the full \$4.5 million of developmental expenses. The Company has also revised its policies and procedures to require that the IAC receive notice of material changes to transactions that the IACs previously approved.

Without admitting or denying the statements set forth therein, the Company consented to a settlement order filed with the Commission (the “Order”). Under the terms of the settlement, the Company was charged with violating Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder for its failure to seek approval from the Fund III IAC or the Fund III Limited Partners to eliminate the reimbursement requirement as a condition of the sale of the garage to RDF and for its failure to disclose at the time to them its decision not to cause RDF to make the reimbursement despite its commitment to do so. The Company subsequently notified the Fund III Limited Partners in its 2014 and 2015 financial statements about the decision not to reimburse Fund III due to the higher purchase price, although this did not constitute obtaining the Fund III IAC’s consent.

Discussion

In 2005, the Commission revised the registration, communications, and offering procedures under the Securities Act.¹ As part of these reforms, the Commission created a category of issuer under Rule 405 known as the “ineligible issuer.” Rule 405 defines “ineligible issuer” to include any issuer of securities with respect to which the following is true: “Within the past three years . . . , the issuer or any entity that at the time was a subsidiary of the issuer was made the subject of any . . . administrative . . . order arising out of a governmental action that . . . requires that the person cease and desist from violating the anti-fraud provisions of the federal securities laws.” The Order requires the Company to cease and desist from violating Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, each of which is an anti-fraud provision. The Company is a subsidiary of each of the Issuers and, accordingly, the Order caused each of the Issuers to become an ineligible issuer.

Notwithstanding the foregoing, Securities Act Rule 405 authorizes the Commission to determine, “upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer.”² For the reasons explained below, we respectfully submit that good cause exists for the Commission to determine that it is not necessary under the circumstances that any of the Issuers be considered an ineligible issuer under Rule 405. Our views are outlined in accordance with the April 24, 2014 Revised Statement on Well-Known Seasoned Issuer Waivers issued by the Division of Corporation Finance.

Absent relief from the Commission, the Issuers will not be afforded the flexibility in accessing the capital markets that would be available were they not ineligible issuers. Prior to the issuance of the Order, the Parent, which is a real estate investment trust, qualified as a well-known seasoned issuer (“WKSI”) pursuant to paragraph (1)(i)(A) of the definition thereof. Paramount OP, the majority owned operating partnership of the Parent, qualified as a WKSI pursuant to paragraph

¹ See Securities Offering Reform, Securities Act Release No. 8591, Exchange Act Release No. 52,056, Investment Company Act Release No. 26,993, 70 Fed. Reg. 44,722, 44,790 (Aug. 3, 2005).

² Securities Act Rule 405, 17 C.F.R. § 230.405.

(1)(ii)(C) of the definition thereof, which relates to the offering of non-convertible securities other than common equity by the majority-owned operating partnership of a REIT, and under paragraphs (1)(ii)(A) and (1)(ii)(B)(1)-(2) of the definition thereof, which relates to the offering of non-convertible securities other than common equity guaranteed by the Parent and guarantees of non-convertible securities other than common equity issued by the Parent or another majority owned subsidiary. Paramount TRS qualified as a WKSI pursuant to paragraphs (1)(ii)(A) and (B)(1)-(2) of the definition thereof, which relate to the offering of non-convertible securities other than common equity guaranteed by the Parent and guarantees of non-convertible securities other than common equity issued by the Parent or another majority owned subsidiary. The limitation on the Issuers' use of shelf registration documents due to their loss of WKSI status would be a significant detriment to these entities and their equity holders, including the public stockholders of the Parent, because it will substantially increase the time, labor and money that they will need to spend to conduct a successful offering.

Reasons for Granting a Waiver

Pursuant to Rule 405 promulgated under the Securities Act, we respectfully request that the Commission determine that for good cause shown it is not necessary under the circumstances that any of the Issuers be considered an "ineligible issuer" under Rule 405. Applying the ineligibility provisions to these entities would be disproportionately and unduly severe, for the reasons described below.

Nature of Violations: Responsibility for the Stated Violations

The violations noted in the Order are limited to non-scienter-based charges, and the violations do not pertain to activities undertaken by any of the Issuers or the Company in connection with any role as an issuer of securities (or any disclosure related thereto) or to any filings with the Commission. Instead, the Order related to conduct that occurred at the Company, and was strictly limited to a single transaction between clients of the Company, Fund III and RDF.

The conduct at issue in the Order is not attributable to any one person at the Company. In the Company's view, the final price RDF paid to Fund III already reflected the increased value that would result from the upzoning and related expenses, because one of the two appraisals used to calculate the purchase price effectively assumed the beneficial upzoning would be achieved. There is no record that any individual considered the need to make additional disclosures to the IAC. There is no record that the conduct at issue in the Order occurred at the direction of the Company's senior management, or that senior management considered the question of whether to consult the IAC again, or that the wrongdoing reflected "a tone at the top" that condoned or ignored the conduct.

The Issuers believe that such conduct does not call into question the reliability of any of the Issuers' current or future disclosures as an issuer of securities since none of the conduct is related in any way to any of their current or future disclosures as an issuer of securities. While the Parent's public disclosures are prepared and finalized by its management team, a few of whom are also officers of the Company, the Parent believes that its disclosure controls and procedures as an issuer of securities in connection with its filings with the Commission are not deficient. The Parent believes

that its future filings and any future filings required by any of the other Issuers with the Commission will not be impacted in any way by the conduct at issue in the Order, in part because of the remedial measures already undertaken and discussed below.

Duration of the Stated Violations

The Order addressed a single incident that occurred in March 2014, between Fund III and RDF, clients of the Company, which was prior to the Parent's initial public offering.

Remedial Steps

As the Order recognizes, the Company has taken remedial measures and cooperated promptly during the examination and investigation. In August 19, 2015, after the OCIE examination findings and further discussion with OCIE and Division of Enforcement staff, the Company arranged for a \$4.5 million contribution to Fund III investors when, under the terms of the deal, it could have directed RDF to pay that amount. As part of the ordinary course of becoming a public company, the Parent has devoted additional resources to its disclosure process, including the implementation of policies and procedures designed to ensure accurate disclosures in filings with the Commission. The Company has also revised its policies and procedures with respect to all funds to require that the IAC receive notice of material changes to transactions that the IACs previously approved.

Prior Relief

None of the Issuers nor any of their subsidiaries has ever sought a waiver as to ineligible issuer status.

Impact on Issuer

Absent relief from the Commission, the Issuers will not be afforded the flexibility in accessing the capital markets that would otherwise be available to them if they were not ineligible issuers. The Parent, a publicly traded REIT, acquires commercial properties in the normal course of its business and is continuously seeking investment opportunities. In the event the Parent finds a suitable acquisition opportunity, it may seek to finance the acquisition using proceeds obtained from a public offering of debt or equity securities. Due to the Parent's current operating partnership structure, in order for the Parent to obtain favorable pricing upon the offering of debt securities, investors would likely require Paramount OP to either issue or guarantee the debt securities. Additionally, because Paramount TRS is currently a guarantor of the primary revolving credit facility of the Parent and Paramount OP, investors would likely similarly require Paramount TRS to guarantee the debt securities so that they would not be structurally subordinated to the credit facility. Such investment opportunities are typically time-sensitive and without the Parent able to publicly offer equity securities or the Issuers able to issue and/or guarantee publicly offered debt securities pursuant to an automatic shelf registration statement, the Parent would not be able to access the equity or debt markets as

Tim Henseler, Esq.
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quickly as needed. The Issuers are contemplating future capital raising activities within the next three years, and the limitation on the Issuers' use of shelf registration documents will be a significant detriment to the Issuers and their equity holders, including the public stockholders of the Parent, because it will substantially increase the time, labor and money that the Issuers will need to spend to conduct a successful offering.

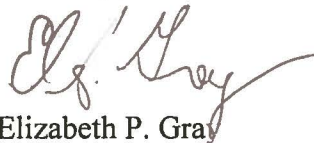
Conclusion

In light of the foregoing, subjecting the Issuers to ineligible issuer status is not necessary under the circumstances, is not in the public interest, and does not further the Commission's policy goal of protecting investors. Good cause exists to determine that the Issuers should not be considered ineligible issuers under Rule 405, and we respectfully request the Commission to make that determination.

* * *

Thank you for your consideration of this request. If you have any questions, please contact me at 202-303-1207 or my colleague, James Anderson, at 202-303-1114.

Sincerely,



Elizabeth P. Gray

Cc: Erin Wilson, Esq.
Division of Corporation Finance
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