

**Part 2A of Form ADV: *Firm Brochure***

**TGM Associates L.P.**

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03/23/2012

This brochure provides information about the qualifications and business practices of TGM Associates L.P.. If you have any questions about the contents of this brochure, please contact us at (212) 830-9336 or [mfrazzetta@tgmassociates.com](mailto:mfrazzetta@tgmassociates.com). 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 TGM Associates L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 108905.

## **Item 2    Material Changes**

This Firm Brochure, dated 03/23/2012, provides you with a summary of TGM Associates L.P.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

There are no material changes to our Firm Brochure dated 01/25/2011.

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

## **Item 4     Advisory Business**

TGM Associates L.P. ("TGM") is an SEC-registered investment adviser with its principal place of business located at 650 Fifth Avenue - 28th Floor, New York, NY 10019. TGM began conducting business in 1991.

None of the Firm's principals own 25% or more of the company.

### **ASSET MANAGEMENT SERVICES**

TGM focuses exclusively on investing in existing multifamily residential real estate in the Continental United States, providing investment management and advisory services to institutional pension clients (collectively, its "Clients"). Members of TGM's Investment Management team has worked together for over 25 years, acquiring, managing, and selling apartment properties. In connection with its Real Estate asset management services, TGM also provides cash management services for its Clients, including short term investments in money market mutual funds.

We are not affiliated with broker-dealers or insurance companies.

Our investment recommendations are limited to investments in multifamily properties.

In addition to the New York headquarters, TGM employs more than 300 full-time employees in regional offices and on-site at the properties.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2011, we were actively managing \$1.42 billion of Client's assets under management, of which \$685.1 million and \$734.9 million are managed on a non-discretionary and discretionary basis, respectively.

## **Item 5     Fees and Compensation**

TGM collects Asset Management, Property Management, and Incentive Compensation Fees collectively, "Advisory Fees" in exchange for providing services to its Clients.

TGM earns a base Asset Management Fee of up to 1% of average daily equity invested for providing investment advisory services to its Clients. Such fees are payable monthly, after TGM provides service.

TGM Charges its Clients up to 3.875% of collected revenues. TGM earns Property Management Fees for supervising the daily site level operations of the multifamily residential real estate properties owned by its Clients. Such fees are payable monthly, after TGM

provides service.

TGM also earns an Incentive Asset Management Fee up to 20% of excess cash flows returned to its Clients above a predetermined thresholds. These fees are paid throughout the investment entities holding period or at the liquidation of the investment entity.

TGM maintains custody of its Clients' accounts. All cash and securities are maintained by a qualified custodian in accordance with the requirements of the Investment Advisers Act.

Our firm directly debits Advisory Fees from Client accounts, is allowed pursuant to the agreement with each client. See also Item 15 for further disclosure.

TGM considers all fees to be negotiable.

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** Each of TGM's clients has a management agreement that specifically states how the contract can be terminated before its expiration date.

***ERISA Accounts:*** TGM is deemed to be a fiduciary to advisory Clients that are employee benefit plans pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, TGM may only charge fees for investment advice about products for which our firm does not receive a commission.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstance do we require or solicit pre-payment of fees.

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

### PERFORMANCE-BASED FEES

As we disclosed in Item 5 of this Brochure, our firm accepts a performance-based fee from its

clients in the form of an Incentive Asset Management Fee. TGM earns such Incentive Asset Management Fee if cash returned to each Client exceeds predetermined thresholds.

We endeavor at all times to put the interest of our Clients first as part of our fiduciary duty as a registered Investment Adviser; accordingly, we take the following steps to address these conflicts:

1. We disclose to Clients the existence of all material conflicts of interest, including the potential for our firm and employees to earn more compensation from advisory Clients who pay performance based fees;
2. We collect, maintain and document accurate, complete and relevant Client background information.
3. Our management conducts timely reviews of each Client's management agreement to verify that all recommendations made to a Client are suitable to that Client's specifications;
4. We have implemented policies and procedures for fair and consistent allocation of investment opportunities among all client accounts;
5. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients and equitable treatment of all Clients, regardless of the fee arrangement.

**The Client must understand the performance-based fee method of compensation and its risks prior to entering into an agreement with us.**

## **Item 7    Types of Clients**

Our Clients are institutional investors.

Each investor must have total assets in excess of \$50,000,000. The minimum amount to be allocated to TGM for investments into multifamily properties is \$7,000,000.

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

### **METHODS OF ANALYSIS**

TGM has a fully integrated investment process, including market research, deal sourcing, due diligence, underwriting and closing of acquisition, asset management, in-house property management, general contracting capabilities, and sales of assets.

We use the following methods of analysis in formulating our investment advice and/or

managing client assets:

**Fundamental Analysis.** The firm's acquisition's department has primary responsibility for finding potential multifamily investment opportunities. Investment opportunities are identified through local and national brokers, financial institutions, representatives of institutional investors, and directly from private owners.

Property submissions are reviewed at an initial screening meeting by the TGM Investment Committee. Property submissions are screened against the strategy being employed by TGM for any particular market at that specific time.

Potential investment opportunities which pass the initial screening are then physically inspected. TGM utilizes its own written questionnaire during initial site inspections to address important issues impacting property operations including but not limited to specific location and accessibility, local competition, area attributes and detriments, physical condition, features and amenities package, unit design and layout, rent structure, resident profile, management capability, and curb appeal. If TGM finds the property of continuing interest after the physical inspection, TGM's acquisition team prepare a financial analysis model (the "Financial Model"), incorporating insights obtained from the site visit, including those pertaining to comparable properties and the market area in general. The Financial Model's assumptions, including vacancy, rent concessions, rent growth, expense growth, and exit capitalization rates, are determined using various research sources, local market knowledge and the experience of the TGM Acquisition and Asset Management teams. TGM's Financial Model is flexible to allow for extensive sensitivity analysis. It provides for a ready comparison of pro forma operations to current operations. Critical output includes yields, IRRs, per unit and per square foot pricing and replacement cost analysis.

The Investment Committee then reviews the Financial Model, which reflects the findings from the site visit, to determine whether to make an initial offer and, if so, the amount of the initial offer.

The due diligence process is overseen by Asset Management and commences after TGM's offer is accepted and a purchase agreement is being negotiated. TGM's acquisition staff incorporates conclusions made during the due diligence process into the Financial Model, which is reviewed by the Investment Committee. The Investment Committee decides whether to proceed, and if so, whether a price reduction is required.

During the due diligence process, TGM assesses the physical condition of the property, the potential for any environmental risks, the accuracy of TGM's preliminary income and expense estimates, reasonableness of projected occupancy levels and rent and expense growth rates, property positioning, competing properties, and local economic issues.

As all aspects of the investment process fall into place and final underwriting is performed, a report is submitted to the Investment Committee for their final approval, and the acquisition proceeds to closing.

**Risk from all forms of analysis.** Our investment analysis methods rely on the assumption that the information gathered from publicly available sources of information about these assets and the markets they are in, are accurate and unbiased data. While we are alert to

indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### ***INVESTMENT STRATEGIES***

We use the following strategy in managing Client assets, provided that such strategy is appropriate to the needs of the Client and consistent with the Client's investment management agreement, among other considerations:

It is TGM's strategic premise that the presence or absence of competition by and among apartment properties (both current and future) in a market area is the primary determinant of real estate value over the medium to long term. The majority factors affecting competition are as follows:

- the current supply of apartments, including those units under construction or development;
- the potential for additional development;
- the current demand for apartments as evidenced by occupancy and rent levels; and
- the future demand or decline in demand as indicated by economic and demographic factors.

Each of these, while defined locally, is very strongly influenced by national capital markets; or if you will, by the amount of liquidity in the economy and financial pricing, which when expressed as a cap rate, will at any given moment appear to be the primary driving force regarding pricing as distinct from intrinsic real estate value.

TGM believes that a strong sell discipline is an essential element of a sound investment management strategy. Market research provides the information necessary to determine the timing of sales of assets in the same way that it provides the conceptual underpinning for TGM's purchases. Markets are monitored and discussed by the Operating Committee periodically for changes in investment cycles, including changes in the pricing levels, the relationship of current and prospective supply and demand, and the impact of potential new construction. Furthermore, TGM overlays its local market experience, obtained from its property management staff (including regional and district office employees, as well as national specialists and on-site staff) when considering the appropriate time to sell.

The Investment Committee is responsible for understanding Client investment goals and expectations regarding each Client's respective portfolio and deriving an investment strategy consistent with those expectations. Furthermore, the Investment Committee continually monitors each Client's portfolio to determine when to recommend that a Client dispose of assets from their respective account.



## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of our advisory business or the integrity of our management.

TGM has no disclosures to make in response to this item.

## **Item 10 Other Financial Industry Activities and Affiliations**

TGM has no disclosures to make in response to this item.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable Federal Securities Laws.

TGM and our personnel owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our code also provides for oversight, enforcement and record-keeper provisions.

A copy of our Code of Ethics is available to our advisory and prospective Clients. You may request a copy by email sent to [vbills@tgmassociates.com](mailto:vbills@tgmassociates.com), or by calling us at (212) 830-9310.

## **Item 12 Brokerage Practices**

TGM is responsible for selecting the real estate sales brokers utilized to sell its Clients' properties. TGM utilizes licensed real estate brokers with the applicable knowledge of the property and the market where the property is located. The real estate brokers are paid a set commission commensurate with what is typically paid in the relevant market.

TGM does not receive any research or other soft dollar benefits from any real estate brokers.

### **Item 13    Review of Accounts**

**REVIEWS:** TGM generally has quarterly meetings during which, various information regarding each of its Client's investments are reviewed. TGM also meets at least annually with each of its Clients to review their portfolio returns and to assess each Client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the market, political or economic environment, or by changes in the Client's stated investment objectives.

These reviews are conducted by the President, Executive Vice President, and Senior Vice Presidents of the company.

**REPORTS:** Clients receive monthly, quarterly, and annual reports in accordance with the provisions of each Client's investment management or limited partnership agreement. All reports are tailored to each client's specific needs. The areas regularly covered are:

Operating plans, budget; occupancy; market conditions; financial performance; capital improvements; valuations (external and internal); summary of cash distributions; summary of all equity transactions; and summary of all fees earned by TGM.

Additionally, all Clients receive a copy of the unaudited quarterly and audited annual financial statements for their investments managed by TGM.

### **Item 14    Client Referrals and Other Compensation**

TGM has nothing to disclose for this item.

### **Item 15    Custody**

All cash and securities are maintained by a qualified custodian in accordance with the requirements of the Investment Advisers Act.

Our firm directly debits advisory fees from Client accounts, if allowed pursuant to the management agreement with each Client.

Because the custodian does not calculate the amount of the Advisory Fees to be deducted, it is important for Clients to carefully review the fee invoices included within each Client's quarterly report, to verify the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

All investors receive audited financial statements annually.

## **Item 16 Investment Discretion**

We will manage Client accounts on either a discretionary or non-discretionary basis.

Clients may hire us to provide discretionary Asset Management services, in which case we acquire and manage assets on their behalf, within the guidelines of their Agreement.

Clients may amend such limitations by amending their respective Agreements.

## **Item 17 Voting Client Securities**

TGM does not invest in public securities and thus we do not vote proxies on behalf of our Clients.

## **Item 18 Financial Information**

TGM has nothing to disclose for this item as we do not solicit fees; we have no financial conditions that are reasonably likely to impair our ability to meet our contractual obligations; we have not been the subject of a bankruptcy petition at any time during the past ten years.