

## **Firm Brochure**

### **The Praedium Group LLC**

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This brochure provides information about the qualifications and business practices of The Praedium Group LLC. If you have any questions about the contents of this brochure, please contact us at: (212) 224-5600, or by email at: [amcgovern@praediumgroup.com](mailto:amcgovern@praediumgroup.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. The Praedium Group is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about The Praedium Group LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 2020**

## **Item 2: Material Changes**

This entire brochure is intended to provide new and prospective clients and investors with disclosure of The Praedium Group LLC business practices and conflicts of interest. In particular, this brochure section will only identify the material changes to our business since its last annual update on March 29, 2019. There have been no material changes to our business since our last annual update on March 29, 2019.

### **Full Brochure Availability**

The complete Firm Brochure for The Praedium Group LLC is available upon request by contacting Adam McGovern at 212-224-5600 or by email at [amcgovern@praediumgroup.com](mailto:amcgovern@praediumgroup.com).

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## Item 4: Advisory Business

### Firm Description and Principal Owners

The Praedium Group LLC (the “Praedium” or “we”) is a Delaware limited liability company formed in 1991. Praedium serves as an investment manager for seven and any parallel or alternative investment vehicles (individually, each a “Fund” and collectively, the “Funds”) listed in the table below. Praedium’s strategy consists of repositioning and otherwise enhancing real estate related assets, the values of which have been impaired by prior mismanagement, economic dislocation and other market inefficiencies. The Funds primarily invest in middle-market, capital-intensive and management-intensive assets in multiple property types.

As indicated in the following table, an affiliate of Praedium is the general partner of each Fund (“General Partner”).

<b>Fund</b>	<b>General Partner</b>
The Praedium Fund VI, L.P.	TPF VI GP LLC
NYC Residential Fund, L.P.	NYC Residential Fund GP, L.L.C.
ONC Fund, L.P.	ONC GP LLC
Manhattan Valley Fund, L.P.	Manhattan Valley Fund GP LLC
Praedium VIII Multifamily Value Fund, L.P.	TPF VIII GP LLC
Praedium IX Multifamily Value Fund, L.P.	TPF IX GP LLC
Praedium X Middle-Income Housing Fund, L.P.	TPF X MIH GP LLC

Russell Appel, Christopher Hughes, Peter Calatozzo and Mason Sleeper are the principals of Praedium (the “Principals”).

### Description of Advisory Services

Praedium serves as investment manager to each of the Funds pursuant to investment management agreements. As investment manager to the Funds, Praedium:

1. Identifies and evaluates investment opportunities for the Funds;
2. Structures and negotiates the terms of investments to be made by the Funds;

3. Monitors review of all documents required to complete investment transactions of the Funds;
4. Monitors the performance of investments of the Funds and provides an active role in the management of the investments,;
5. Evaluates, structures and supervises, if appropriate, the timing and method of disposition or liquidation of investments; and
6. Prepares and transmits the reports required to be prepared and transmitted to the limited partners of each Fund pursuant to their respective limited partnership agreement.

While Praedium manages each Fund in accordance with the investment objectives and guidelines found in the Funds' private placement memorandums and limited partnership agreements, Praedium pursues the same investment program for all of the Funds. Praedium does not tailor Fund investments to the requirements of individual investors in the Funds, and those investors do not have authority over or participate in the management of the Funds.

As of December 31, 2019, we manage approximately \$1,661,457,387 on a discretionary basis.

## **Item 5: Fees and Compensation**

### **Description**

Under the management agreement for each of the Funds, Praedium is entitled to compensation for its services in the form of an annual management fee (the "Management Fee"), payable quarterly in advance. During the investment period (i.e., the period in which the General Partners invest Fund commitments), Management Fees are charged based on capital commitments, and thereafter Management Fees are charged based on invested capital.

The General Partner of each Fund is also eligible to receive an allocation of carried interest. The Fund offering and organizational documents or management agreement for each Fund, as applicable, include further details on fees, compensation and related matters.

### **Fee Billing**

For the Funds, Management Fees and carried interest allocations are paid directly by the Funds, which are subsequently either deducted from an investor's assets invested with Praedium at the payment date or withheld from distributions. Our Management Fee is paid quarterly in advance. Allocations of carried interest are collected as described in *Item 6– Performance-Based Fees and Side-By-Side Management* below.

### **Other Fees and Expenses**

Praedium's Management Fees do not include all of the fees and expenses that investors in the Funds may bear. In addition to Praedium's Management Fee and carried interest allocations,

investors in the Funds will bear indirectly as partnership expenses their pro rata share of any fees and expenses incurred by Praedium or the General Partners on behalf of the Funds, and deducted directly from the Funds. Those fees will vary, but typically include professional fees such as legal and accounting fees. Such fees and/or expenses may be paid directly to third parties. Investors in the Funds may indirectly bear the following fees and expenses:

- Expenses of organizing the Funds and offering the limited partnership interests (other than placement fees) and all expenses incurred with respect to each closing of the Funds during the admission periods (which are capped as set in the governing documents of the Funds).
- All expenses incurred in connection with identifying, evaluating, structuring and negotiating any potential investment and the acquisition, holding, sale, proposed sale, other disposition or valuation of any investment, and dead deal expenses are borne by the Fund for which the investment is intended.
- All litigation-related and indemnification expenses, subject to certain limitations associated with the standard of care to which indemnified parties are subject
- All ordinary administrative expenses of the Funds, including fees of auditors, attorneys, appraisers and other professionals and the cost of reports to the partners.

This list is not exhaustive; Investors in Funds should review the applicable Fund offering materials and organizational documents or management agreement, as applicable, for a more extensive description of the fees and expenses associated with an investment in the Funds. For more information, see *Item 10– Other Financial Industry Activities and Affiliations* below.

## **Compensation for Sales and Conflict of Interest**

Neither Praedium nor any of its affiliates or employees accepts or otherwise receives, directly or indirectly, any compensation for the sale of securities or other investment products.

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

The General Partner of each Fund receives a portion of the profits from the disposition of portfolio investments as a carried interest allocation. This amount equals a percentage (set forth in the governing documents of the Funds) of the amounts otherwise distributable to each investor after specific conditions are met, including the return of all capital contributed to the Fund by investors and the payment to investors of a preferred return on such contributed capital.

The potential receipt of this performance-based compensation by Praedium or Praedium's affiliate may create an incentive for Praedium to make investments on behalf of Funds that are riskier or more speculative than might be the case in the absence of the performance-based compensation arrangement. Notwithstanding this potential conflict, Praedium will select investments that it believes in good faith to be in the best interests of each Fund and appropriate to meet each Fund's investment objectives, consistent with the investment guidelines and risk profile disclosed in each

Fund's offering and organizational documents. The applicable offering materials of each Fund contain further details regarding Praedium's investment allocation policies.

Praedium only manages Funds that pay performance-based compensation.

## **Item 7: Types of Clients**

The Funds are pooled investment vehicles, whose investors purchase ownership interests in the Funds. The Funds' investors consist primarily of:

- Endowments and foundations
- State and municipal government agencies
- Public and private pension plans
- Insurance companies
- Investment companies
- Trusts and estates
- Charitable organizations
- Corporations
- Business entities other than those listed above

All investors are subject to applicable suitability requirements identified in each Fund's offering and organizational documents and relevant management agreement, as applicable. Each investor in the Funds must be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended, and investors in certain Funds must be "qualified purchasers" as defined in the Investment Company Act of 1940, as amended.

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

### **Methods of Analysis and Investment Strategy**

Praedium applies a value-oriented, flexible approach to investing in real estate. Our basic investment strategy consists of identifying market inefficiencies and enhancing underutilized assets. In managing the Funds, we focus on assets that are not broadly or well marketed, that are located in historically liquid markets and to which value can be added through active management and leasing.

We pursue investment opportunities which demonstrate strong potential for value enhancement. We believe that local imbalances between supply and demand and capital market illiquidity will

continue to generate attractive opportunities for acquiring assets below replacement cost with the potential for creating value. Value enhancement may be achieved through change of use, capital restructuring, strategic capital expenditures and tenant improvements, proactive leasing, the implementation of cost-reduction programs and other types of repositioning. While we derive a substantial portion of our returns through skilled management of properties that provide current income, we also have a strong sell discipline. Praedium carefully evaluates the optimal time for the sale of an asset and considers the broadest possible range of exit strategies in order to maximize returns.

In order to achieve more advantageous pricing and flexible structuring, we generally try to avoid trophy properties and highly competitive auctions, preferring transactions that are either privately negotiated or otherwise attract limited competition.

Praedium uses an integrated, hybrid approach to its asset management activities that focuses on both asset-level and portfolio-level strategies to maximize the overall performance of our investment portfolio.

Praedium's property level asset management is supplemented by the local team of our third party property manager. We seek to pair each investment thesis or business plan with a third party property manager who has the specific capabilities required to execute the asset's business plan. We work with third party property managers to oversee the implementation of each asset's business plan, including pro-forma budgeting, ongoing capital expenditures, tenant improvements and leasing.

We have a well-defined investment process that incorporates a high degree of teamwork, checks and balances, risk management and oversight. The key elements of this process include:

- *Market Evaluation.* We continually assess our investment focus, making refinements as the real estate market evolves. We hold regular weekly meetings for our acquisition, asset management and disposition teams. These meetings provide a forum in which current transactions, market trends and financial developments are continuously evaluated.
- *Deal Sourcing.* Our broad network of local service providers and industry contacts assists us in sourcing private-market transactions and prompting a strong pipeline of deal flow.
- *Due Diligence.* We undertake comprehensive due diligence to identify and mitigate potential risks. This due diligence process includes macroeconomic and real estate market reviews, financial analyses and legal and environmental assessments. More specifically, we evaluate rent and sales comparables, engineering reports and leases to complete a thorough analysis before closing a transaction.
- *Debt Capital Sourcing.* We strive to optimize each investment's capital structure with favorable pricing and terms. We believe our credibility within the banking and financial communities afford us a quicker response and a higher certainty of closing.

- *Asset Management.* We continuously monitor performance against established targets and manage assets on a proactive basis in order to maximize exit values. We work with local service providers to oversee the implementation of each asset's business plan, including pro forma budgeting, ongoing capital expenditures, tenant improvements and financial performance.
- *Financial Controls and Reporting.* We are managed by a finance team with extensive experience in reporting to institutional investors. We have the ability to (i) customize our reporting to fit the specific needs of investors on a timely and accurate basis and (ii) provide financial controls, valuation and compliance on the individual asset level.
- *Asset Dispositions.* Our hold/sell analysis considers developments in property valuation levels, cash flow expectations for specific investments and investment sales trends. The business plan and exit strategy for each individual asset are periodically updated in an effort to take advantage of market conditions.

## Material Risks

An investment in a Fund entails a high degree of risk. Only sophisticated institutions and individuals should invest in a Fund. Investors should not invest their entire investment portfolio in a Fund. Investors should seek to fully understand the potential risks and benefits of investing in a Fund. Investors should consider whether they can bear the risks of an investment in a Fund. Prospective investors should carefully consider various factors, including the following non-exhaustive list of such risks:

No established market for potential investments exists  
 Absence of operating history of newly formed Funds  
 Illiquidity of investments  
 Changes in legal, fiscal, and regulatory regimes  
 Nature of equity or equity-related investments  
 Dependence on Praedium's key personnel  
 Deterioration of the credit markets  
 Debt market conditions  
 Portfolio concentration  
 Investment environment and market risk  
 Inflation  
 Market volatility risks  
 Risk of loss of entire investment

Real estate markets may fluctuate substantially over time. As recent global and domestic economic events have indicated, performance of any investment is not guaranteed. Although Praedium will attempt to manage those risks through careful research, ongoing monitoring of investments, and active participation, the properties, mortgages, securities and other investments purchased by the Funds might in fact decline in value or the Funds might incur significant losses. The past investment performance of the Funds cannot be taken to guarantee future results of the Funds or any investment in the Funds. Praedium does not guarantee any level of performance or that

investors in the Funds will not experience a loss of their account assets. The Funds might not be able to generate positive returns and the returns might not be commensurate with the risks inherent in their investment strategy. The marketability and value of any investment made by the Funds will depend upon many factors beyond the control of the Funds. The expenses of the Funds may exceed their income. An investor in a Fund could lose the entire amount of its contributed capital. Therefore, an investor should only invest in a Fund if the investor could withstand a total loss of its investment. In addition, all prospective investors are required to represent that they are investing in reliance on their own tax, legal and financial advisers and not on any advice or recommendation of Praedium.

## **Risks of Real Estate Ownership**

Real estate historically has experienced significant fluctuations and cycles in value and specific market conditions may result in reductions in the value of real property interests. The marketability and value of the real property interests will depend on many factors beyond the control of Praedium, including: (i) changes in general or local economic conditions; (ii) changes in supply of, or demand for, competing properties in an area; (iii) changes in interest rates; (iv) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (v) unavailability of mortgage funds that may render the sale of a property difficult; (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in real estate tax rates and other operating expenses; (viii) the imposition of rent controls; (ix) energy and supply shortages; (x) various uninsured or uninsurable risks; and (xi) acts of God and natural disasters. In addition, general economic conditions in the United States, as well as conditions of domestic and international financial market, may adversely affect operations of the Funds. Moreover, while Praedium generally intends to purchase or cause to be purchased insurance to cover casualty losses and general liability, such insurance may not be available or may be available only at prohibitive costs to cover losses from ongoing operation and other risks such as earthquake, flood, environmental contamination or terrorism.

## **Pandemics and COVID-19**

Occurrences of epidemics or pandemics, depending on their scale, may cause different degrees of damage to global, national and local economies. COVID-19 (also known as novel coronavirus or coronavirus disease 2019) presents unique, rapidly changing and hard to quantify risks. In general, it has resulted in a significant reduction in commercial activity on a global scale that has adversely impacted many businesses. Governments, on the national, local and state level, are instituting a variety of measures including lockdowns, quarantines and states of emergencies, which collectively may slow the global economy to the point where it enters a recession. Although there is reason to believe that the COVID-19 outbreak may be contained over a reasonable period of time, there can be no assurance this will be the case and, in the meantime, global equity, bond and credit markets may be adversely affected. Such disruption may affect Fund returns, operating results and financial condition.

## **Item 9: Disciplinary Information**

Praedium does not have any legal, financial or other “disciplinary” item to report. As a registered investment adviser, Praedium is obligated to disclose any disciplinary event that would be material to the investor when evaluating a fund/adviser relationship. On occasion, in the ordinary course of its business, we are named as a defendant in a lawsuit or arbitration. We do not believe that any current litigation to which we are a party will have a material adverse effect on us and/or our Funds.

## **Item 10: Other Financial Industry Activities**

Various potential and actual conflicts of interest may arise from the overall investment activities of Praedium and its affiliates. The following briefly summarizes the principal conflicts, but is not intended to list all conflicts. The references to Praedium in this section include Praedium’s affiliates, partners, members, managers, shareholders, officers, directors and employees.

***Allocation of Personnel.*** Praedium and its affiliates will devote as much time as they consider necessary to conduct the business affairs of the Funds in an appropriate manner. However, Praedium personnel also work on other projects and therefore, conflicts may arise in the allocation of personnel.

***Other Funds; Allocation of Investment Opportunities.*** During the investment period, Praedium is required to refer, as a potential investment for the applicable Fund, each private real estate investment opportunity (i) in which the equity investment that is available to it, is at least \$5,000,000 (in the case of Praedium IX Multifamily Value Fund, L.P.) or \$8,000,000 (in the case of Praedium X Middle-Income Housing Fund, L.P.), and (ii) that fits the investment objectives and criteria of the Funds; except to the extent that the limited partnership agreement of the Fund permits an investment opportunity to be allocated to another Fund. In addition, if any such private real estate investment opportunity has been rejected by Praedium, none of the Principals (as long as they are actively involved in the management of the General Partners and Praedium), the General Partners, Praedium and any affiliate of the Principals will invest therein without the consent of the respective advisory committee. An advisory committee is a committee comprised of representatives of certain limited partners of a Fund, which consults with the General Partner on various matters relating to the Fund.

***Fund Investor Side Letters.*** Praedium may enter into “side letters” with investors in the Funds, which allow for certain additional rights in the event of tax, regulatory or legal circumstances applicable to such investors.

Prospective investors should review the applicable Fund offering materials and organizational documents or management agreement, as applicable, for a more extensive description of the potential conflicts of interest associated with an investment in the Funds.

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

Praedium owes a fiduciary duty to its Funds. Accordingly, we have a duty of loyalty, fairness and good faith to our clients. Employees must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of the Funds.

All of our employees must promptly report any violations of the Code of Ethics to the Chief Compliance Officer. All reported Code of Ethics violations will be treated as being made on an anonymous basis.

The following set of principles frame the professional and ethical conduct that Praedium expects from its employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, the Funds, investors, prospects, service providers and fellow employees;
- Place the integrity of the investment profession, the interests of the Funds and investors, and the interests of Praedium above one's own personal interests;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Avoid any actual or potential material conflict of interest, unless fully disclosed and expressly or implicitly consented to by the applicable Fund;
- Conduct all personal securities transactions in a manner consistent with Praedium's policies;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect favorably on Praedium employees and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the Federal Securities Laws.

You may request a copy of Praedium's Code by contacting Adam McGovern, General Counsel, at (212) 224-5600 or [amcgovern@praediumgroup.com](mailto:amcgovern@praediumgroup.com).

## **Item 12: Brokerage Practices**

Praedium has discretion to select which broker to use in acquiring or disposing of investments for the Funds. We do not receive any incentive to select or recommend a broker and are prohibited from selecting an affiliate to act as broker. The Funds pay for brokerage fees or expenses incurred in acquiring investments for the Funds. Moreover, we are obliged to use reasonable best efforts to obtain a favorable price and execution of our purchase and sale transactions in light of the overall quality of brokerage services available to us. Best execution is not limited to obtaining the lowest possible commissions exclusively but instead also considers other factors, including a broker's execution capability, accuracy of execution, commission rates, research, reputation and integrity, fairness in dispute resolution, financial responsibility, and responsiveness.

## **Item 13: Review of Accounts**

- **Reports to Fund Investors**

Investors in the Funds generally will receive quarterly reports which will include capital balance and fund performance statistics. Investors also will receive annual audited financial statements for the Fund in which they are invested.

Certain investors in the Funds may request information relating to the Funds. If the requested information is readily available or may be obtained without unreasonable effort or expense, Praedium generally provides the information requested. Consequently, these investors will possess information regarding the business and affairs of the Funds that may not be known to other investors. As a result, certain investors may be able to take actions on the basis of this information which, in the absence of such information, other investors do not take.

## **Item 14: Fund Referrals and Other Compensation**

We or our affiliates may pay third-party solicitors a portion of the Management Fee and/or performance fee paid to Praedium or Praedium's affiliates (although other payment arrangements could exist) to solicit prospective investors in the Funds. A prospective investor solicited by a third party will be informed of (and may be asked to acknowledge in writing its understanding of) any such arrangement. All fees for such solicitation services will be ultimately borne by Praedium and neither the Funds nor the investors in the Funds will be charged any increased or additional fees or charges. In the U.S., third-party solicitors will be registered as broker-dealers with the SEC or registered representatives of registered broker-dealers. Third-party solicitors outside the U.S. will be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction. Praedium also may pay fees to consultants for their advice and services, industry information and data.

Praedium employees are also reimbursed for investment diligence travel expenses paid for with personal credit cards. Such expenses are reimbursed wherein employees retain certain personal benefits (i.e., miles and/or points).

## **Item 15: Custody**

Praedium may have, or may be deemed to have, custody of certain funds or securities of its Funds. Rule 206(4)-2 (the “Custody Rule”) under the Advisers Act defines custody as holding fund securities or assets or having any authority to obtain possession of them, including the authority to withdraw funds or securities from a fund’s accounts or ownership of or access to Fund money or securities (such as through fee deductions). Praedium is deemed to have custody of the Funds’ funds or securities under the Custody Rule because the General Partners of the Funds are affiliates of Praedium and are deemed to have custody of such money and securities. As a result of Praedium’s constructive custody of certain Fund money or securities, Praedium has developed procedures that ensure the safeguarding and protection of the assets.

With the exception of certain assets, which are defined as “privately offered securities” per the Custody Rule, all Funds’ assets are held in custody by unaffiliated broker/dealers or banks acting in the capacity as “qualified custodians”.

The Funds financial statements are audited annually by a nationally recognized public accounting firm registered with the PCAOB and the audited financial statements are distributed to each investor in each Fund. The audited financial statements are prepared in accordance with generally accepted accounting principles.

## **Item 16: Investment Discretion**

Praedium is authorized to manage the Funds on a discretionary basis, subject to the overall supervision of the applicable General Partner, in accordance with the investment guidelines, limitations, other provisions and terms set forth in the Funds’ limited partnership agreements.

## **Item 17: Voting Fund Securities / Proxy Policy**

Most of the securities owned by Praedium are not associated with voting rights. To the extent that Praedium owns or acquires securities with voting rights, it is Praedium’s policy to vote proxies in the interest of maximizing value for the Funds. Proxies are an asset of the Funds, and are treated with the same care, diligence, and loyalty as any asset belonging to a Fund. To that end, Praedium will vote in a way that it believes, consistent with its fiduciary duty, will result in the greatest increase or smallest decrease in the value of the issue. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote.

Investors may request a copy of the Proxy Policy and the voting records relating to proxies by contacting Adam McGovern, General Counsel, at (212) 224-5600 or [amcgovern@praediumgroup.com](mailto:amcgovern@praediumgroup.com).

## **Item 18: Financial Information**

Praedium has never filed for bankruptcy and is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its clients.