

Taconic Capital Advisors UK LLP

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Taconic Capital Advisors UK LLP (“Taconic UK”). If you have any questions about the contents of this brochure, please contact us at +44 20 7518 2500 or FundInvestments@taconiccap.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. Taconic is a registered investment adviser, but such designation does not imply a certain level of skill or training.

Additional information about Taconic UK also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

The United States Securities and Exchange Commission (“SEC”) issued a final rule in July 2010 requiring advisers to provide a Brochure in narrative “plain English” format. The SEC final rule specified mandatory sections and organization. This Brochure dated April 30, 2015 and the previous release of the Brochure dated, April 30, 2014 were prepared according to the SEC’s new requirements and rules.

The Material Changes section of this Brochure will be updated when material changes occur since the previous release of the Brochure. Since the last annual update of this Brochure on April 30, 2014, Taconic has updated this Brochure to provide certain disclosure with respect to new share class interests in certain funds and new private investment funds managed by the firm.

Pursuant to new SEC Rules, Taconic will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of its fiscal year, which ends on March 31st. Taconic may further provide other ongoing disclosure information about material changes as necessary.

Taconic will further provide you with the Brochure as necessary based on changes or new information, at any time, without charge.

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Item 4 - Advisory Business

Taconic Capital Advisors UK LLP (“Taconic UK”) provides investment advice on a discretionary basis to onshore and offshore private investment funds (each, a “Fund,” and, together, the “Funds”) that are offered to high net worth, financially sophisticated, individual and institutional investors that may include banks or thrift institutions, investment companies, pension and profit sharing plans, government plans, trusts, estates or other business entities. Taconic Capital Advisors L.P. (“TCA”) has entered into a subadvisory agreement with Taconic UK pursuant to which Taconic UK serves as a subadvisor to TCA in respect of all of the Funds identified below. TCA and Taconic UK are referred to collectively as “Taconic” in this Brochure. Taconic UK is both registered as an investment adviser with the SEC and authorized and regulated by the Financial Conduct Authority of the United Kingdom (the “FCA”), which replaced the Financial Services Authority on April 1, 2013. Taconic UK is managed by Frank P. Brosens through Taconic Capital Services UK Ltd., a wholly owned subsidiary of TCA. As of March 31, 2015, Taconic managed approximately \$8.50 billion, of which Taconic UK subadvised approximately \$ 8.37 billion. Taconic focuses on event investing, or investing in securities and instruments of companies undergoing extraordinary events that are expected to affect the value of one or more securities of a company. The Funds currently invest in mergers and acquisitions, corporate restructurings and spin-offs, credit investments and capital structure arbitrage, as well as special situations. In 1999, Ken Brody and Frank Brosens, along with a financial investor, launched Taconic and formed the first of Taconic’s event-driven funds (the “Event-Driven Funds”) to invest a substantial portion of their assets and to give third-party investors the opportunity to invest alongside them. The Event-Driven Funds are:

- Taconic Capital Partners 1.5 L.P. (“TCP 1.5”), a Delaware limited partnership, which invests using a master-feeder structure through Taconic Master Fund 1.5 L.P. (the “Event Master Fund”), an exempted limited partnership registered under the Exempted Limited Partnership Law (2007 Revision) of the Cayman Islands; and
- Taconic Offshore Fund 1.5 Ltd. (“TOF 1.5”), a Cayman Islands exempted company, which invests using a modified master-feeder structure through the Event Master Fund indirectly through Taconic Offshore Intermediate Fund 1.5 L.P. (the “Event Intermediate Fund”).

In 2004, Taconic launched the first of Taconic’s opportunity funds (the “Opportunity Funds”), which are managed in Taconic’s event-driven style, but are free from some of the event, timing, liquidity and risk constraints that have been placed on the Event-Driven Funds. The Opportunity Funds are:

- Taconic Opportunity Fund L.P. (“TOP”), a Delaware limited partnership, which invests using a master-feeder structure through Taconic Opportunity Master Fund L.P. (the

“Opportunity Master Fund”), an exempted limited partnership registered under the Exempted Limited Partnership Law (2007 Revision) of the Cayman Islands; and

- Taconic Opportunity Offshore Fund Ltd. (“TOPOFF”), a Cayman Islands exempted company, which invests using a modified master-feeder structure through the Opportunity Master Fund indirectly through Taconic Opportunity Offshore Intermediate Fund L.P. (the “Opportunity Intermediate Fund”), an exempted limited partnership registered under the Exempted Limited Partnership Law (2007 Revision) of the Cayman Islands; and

In February 2013, Taconic launched the first Taconic Sidecar Funds in an attempt to capitalize on investment opportunities in trade claims of Icelandic banks created by the recent financial crisis. The Sidecar Funds are no longer open to new investment. Unlike the Event-Driven Funds and the Opportunity Funds, the Sidecar Funds are capital commitment funds offered in two offerings, having set investment and harvest periods. The investment period ended in March 2014. The Sidecar Funds are:

- Taconic Sidecar Fund I L.P., a Delaware limited partnership, and Taconic Side Offshore Fund SPC, a Cayman Islands segregated portfolio company, both of which invest using a master-feeder structure through Taconic Sidecar Master Fund SPC (the “Sidecar Master Fund”), an exempted Cayman Islands segregated portfolio company.

Taconic may launch additional Sidecar funds in the future with different investment strategies.

In August 2014, Taconic launched the Taconic European Credit Dislocation Funds (“ECDF”) in an attempt to capitalize on credit opportunities arising from the economic and financial crisis in Europe. Unlike the Event-Driven Funds and the Opportunity Funds, the ECDF Funds are capital commitment funds offered in a single offering, having set investment and harvest periods. The ECDF Funds are:

- Taconic European Credit Dislocation Fund L.P., a Delaware limited partnership; and Taconic European Credit Dislocation Offshore Fund L.P., a Cayman Islands exempted limited partnership, both of which invest using a master-feeder structure through Taconic European Credit Dislocation Master Fund LP (the “Dislocation Master Fund”), an exempted limited partnership registered under the Exempted Limited Partnership Law (2007 Revision) of the Cayman Islands.

Item 5 - Fees and Compensation

Management and Performance Fees

For its services to each of the Funds, TCA receives the following fees:

- **Opportunity Funds**
 - Management Fee
 - Non Lock-Up Option: 1.5% of net assets
 - Two Year Lock-Up Option: 1.0% of net assets
 - Three Year Lock-Up Option: 0.75% of net assets
 - Performance Allocation: 20% of each investor's annual profits deducted yearly. Under the Three Year Lock-Up Rate Option, no performance fee is earned until a particular hurdle rate has been exceeded, at which point the General Partner receives a 100% catch-up allocation (and thereafter 20%).
- **Event-Driven Funds**
 - Management Fee
 - Non Lock-Up Option: 1.5% of net assets
 - Two Year Lock-Up Option: 1.0% of net assets
 - Three Year Lock-Up Option: 0.75% of net assets
 - Performance Allocation: 20% of each investor's annual profits. Under the Three Year Lock-Up Option, no performance fee is earned until a particular hurdle rate has been exceeded, at which point the General Partner receives a 100% catch-up allocation (and thereafter 20%).
- **Sidecar Funds.** The first Sidecar Funds are no longer open for investment.
 - Management Fee: 0.25%
 - Performance Allocation: 20% carried interest with an 8% preferred return

Taconic may launch additional Sidecar funds in the future with different management and performance fee structures.

- **ECDF Funds.**

The ECDF Funds are no longer open for investment.

- Management Fee: 0.75%
- Performance Allocation: 17% carried interest with an 8% preferred return and catch-up

For the ECDF Funds, Taconic charges management fees on called capital adjusted for distributions of principal and permanent write-downs or write offs. Taconic does not charge a fee on committed but uncalled capital.

The base currency of all the Funds is U.S. Dollars and all Funds offer share classes denominated in U.S. Dollars. In addition to the U.S. dollar denominated share classes, the Event-Driven and Opportunity offshore funds have certain classes denominated in British Pounds Sterling and the Euro.

With respect to each Fund, Taconic UK receives a fee, calculated and payable monthly in an amount equal to a percentage of the expenses incurred by Taconic UK for that month and a portion of the management fee earned by TCA and of the performance allocation paid by investors in such Funds.

While Taconic earns management fees without regard to the overall success or income earned by any fund, generally if you suffer losses you will not pay a performance allocation on subsequent profits until Taconic recoups your prior losses. Taconic calculates and deducts management fees in arrears from each fee-paying investor's account on the last day of each month, except for the ECDF Funds and Sidecar Funds, which Taconic invoices management fees on a semi-annual and quarterly basis in arrears, respectively. . If Taconic earns a performance allocation in a given year, Taconic deducts that fee from a fee-paying investor's account as of the last day of the year (or three-year period), or earlier with respect to a portion of an investment that has been withdrawn. Taconic may waive fees in its discretion, and does so for affiliates, principals and employees. In addition, Taconic has entered into a side letter with an investor whereby it has reduced the management fee for the non-lock-up option to 1.25% so long as the investor maintains at least \$500m in discretionary assets invested in the Taconic Funds (and would be willing to grant similar terms to any other investor at that asset level). The investment management agreements between the Funds and Taconic UK have not been negotiated at arms' length.

For more information about Taconic's fees with respect to a particular Fund, please see that Fund's Confidential Private Offering Memorandum, which describes the fee arrangements in greater detail.

Additional Expenses Borne by the Funds

In addition to the fees described above, each Fund bears all of its own expenses (and each investor in a Fund bears its share), including, but not limited to:

- Transaction-related expenses, including brokerage, mark ups and mark downs, clearing expenses, margin interest expenses, currency hedging and custodial expenses;
- Fees and expenses of professionals retained by Taconic to advise it in connection with the Partnership's investment activities, including legal, accounting, and fund administrator;
- auditing and tax preparation expenses; and
- other expenses (including, without limitation, expenses related to particular portfolio positions or strategies) and extraordinary fees and expenses arising in connection with the conduct of the Fund's activities, including litigation expenses and any other expenses not arising in the ordinary course of business.

For more information on the transaction-related expenses that the Funds may incur, as well as on Taconic's broker selection process, please see Item 12 (the "Brokerage Practices" section of this Brochure).

Layering of Fees

Taconic may enter into joint venture arrangements, co-invest with third parties or otherwise participate in pooled investment vehicles with others, or may allocate discrete portions of the Funds' assets to independent managers to manage on a discretionary basis, if Taconic determines that such an arrangement represents the best way to access a particular investment opportunity or otherwise expands the investment expertise otherwise available to the Funds. The Funds may incur various costs relating to such ventures, including additional performance-based or asset-based fees payable or allocable to the promoters, managers or sub-advisers of such ventures.

To the extent Taconic gives an unaffiliated investment manager discretionary authority over a specific portion of a Fund's assets pursuant to a sub-advisory arrangement, Taconic will pay any management fee or performance fee due to such sub-adviser out of the management fee Taconic receives from that Fund. If Taconic changes this policy, Taconic will give prompt notice to Fund investors. In other situations, however, Taconic will determine whether such fees shall be deducted from its management fee or charged to the Fund as an additional fee. As a general rule, Taconic does not favor the layering of fees when investing in actively managed pooled vehicles. Sometimes, however, such layering may be appropriate. For example, Taconic may invest in certain opportunities where the investment thesis is based not only on the skills of an underlying manager, but also on such manager's ability to access a difficult market, and where the

investment trades in a recognized public or private market. In such cases, Taconic may determine that it is appropriate for the affected Funds to bear the relevant performance-based or fixed asset-based fees.

Withdrawal Fees

As an investor in an Opportunity Fund or Event-Driven Fund, you may incur withdrawal fees if you redeem from the Fund on a date other than an annual anniversary of your investment. While these fees are paid to the relevant Fund and not to Taconic, they can be significant, and should be taken into account by anyone considering an investment in a Fund.

Investors in a non-lock-up class in the Opportunity Funds and Event-Driven Funds may redeem 100% of their capital account or of the net asset value of their shares on each annual anniversary of their investment without penalty. Non lock-up investors are also permitted to redeem up to 25% of their capital account or of the net asset value of their shares on each quarterly anniversary of their investment date without penalty. Withdrawals of greater than 25% on a quarterly anniversary are subject to a 2% withdrawal fee. Two-Year Lock-up investors in the Opportunity Funds and Event-Driven Funds may redeem, in the aggregate, 25% of their initial investment over the two year lock-up period without penalty. All Opportunity and Event-Driven investors except for Three-Year Lock-up investors may also withdraw any portion of their capital account or of the net asset value of their shares as of any month end, subject to a 5% fee on any withdrawal in excess of the above withdrawals. Withdrawal fees are allocated to the remaining Fund investors. Three-Year Lock-up investors in the Opportunity Funds and Event-Driven Funds may not withdraw any capital or redeem shares during the three-year lock-up period, except in certain very limited circumstances, as set forth in their respective Confidential Private Offering Memoranda.

Certain investor withdrawals may be limited if more than 10% of the combined net asset value of all similarly-managed Funds (Opportunity Funds or Event-Driven Funds) advised by Taconic is requested to be redeemed as of any month-end. Taconic may in its sole discretion expressly waive or reduce any requirements or restrictions on withdrawals, including without limitation, the imposition of a withdrawal fee. Each Fund's withdrawal provisions are described in more detail in such Fund's Confidential Offering Memorandum.

Investors in the Sidecar Funds were subject to a 1.0% Withdrawal Fee on any withdrawals made during the first 18 months following the Final Closing Date for such Funds, but such period has passed and no withdrawals were made or withdrawal fees paid during such period.

Item 6 - Performance-Based Allocation and Side-By-Side Management

As stated above, Taconic is entitled to earn performance-based compensation with respect to certain Funds. A Performance Allocation may give Taconic an incentive to cause a Fund (or permit a Fund) to make investments that are riskier or more speculative than would be the case if it were compensated solely based on a flat percentage of capital or net asset value. In addition, the Performance Allocations were not the product of an arm's length negotiation with any third party, and because the Performance Allocations are calculated on a basis that includes unrealized appreciation of a Fund's assets (other than with respect to Side Pocket Investments, except in the event of a deemed liquidation or permanent impairment), such compensation may be greater than if it were based solely on realized gains.

Item 7 - Types of Clients

Taconic provides investment advice on a discretionary basis to onshore and offshore Funds that are offered to high net worth, financially sophisticated, individual and institutional investors that may include banks or thrift institutions, investment companies, pension and profit sharing plans, governmental plans, trusts, estates or other business entities. Taconic does not manage any separate accounts for individual clients.

The minimum capital contribution or subscription amount in a Fund is typically \$1 million, although Taconic has the discretion to accept smaller investments or to set higher investment minimums. The Funds must offer their interests or shares only to persons who meet certain qualifications. Each U.S. Investor (taxable or tax-exempt) in a Fund (onshore or offshore) must be an "Accredited Investor" within the meaning of the Securities Act of 1933 and a "Qualified Purchaser" within the meaning of the Investment Company Act of 1940. Non-U.S. investors in any U.S. organized (onshore) Fund must also be "Qualified Purchasers" and "Accredited Investors." Non-U.S. investors may be subject to additional suitability requirements imposed by such investors' home jurisdictions. The fact that an Investor may meet the regulatory requirements to be eligible to invest in a Fund, however, does not necessarily mean that such Investor is a suitable Investor in such Fund. Taconic has adopted subscription procedures that are intended to ensure that Taconic has a reasonable belief that Investors who are accepted into a particular Fund are both eligible and suitable to invest in such Fund. The Funds are privately offered in reliance upon exemptions from the registration requirements of the Securities Act of 1933; accordingly investment in the Funds is not open to the general public.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Event-Driven and Opportunity Funds

The Event-Driven Funds and the Opportunity Funds focus on event investing, which Taconic defines as investing in securities and instruments of companies undergoing extraordinary events that are expected to affect the value of one or more securities of a company. While both the Event-Driven Funds and Opportunity Funds currently invest in credit investments, equity investments with a catalyst and capital structure arbitrage/hedged credit investments, the Opportunity Funds are free from some of the event, timing, liquidity and risk constraints that have been placed on the Event-Driven Funds. In credit investment activities, the Event-Driven Funds and Opportunity Funds currently focus on liquidations, complex distressed credit, structured credit and short-dated credit. The Event-Driven Funds and Opportunity Funds' catalyst equity investment strategy currently comprises merger arbitrage, post-reorganization securities, volatility and other catalyst-driven investment opportunities. The capital structure arbitrage/hedged credit strategy currently focuses on basis trades and relative value investing. The areas of focus of Taconic may change over time. The Event-Driven Funds and Opportunity Funds invest in both U.S. and non-U.S. companies.

The Funds employ a bottom-up, research-driven, distributed decision-making approach to probabilistic investing. Probabilistic investing involves developing judgments about probabilities and prices of possible outcomes, then using expected value and risk analysis to determine if the return justifies the risk. Key to the process is the uncovering of all relevant available information, valuation of companies, securities and instruments, and an understanding of the behaviors of corporate executives, boards of directors, judges and juries, governments and regulators, securities, markets, institutional investors and hedge funds. Taconic uses probabilistic investing across a broad array of markets and considers it to be Taconic's cornerstone for investing in securities that Taconic believes are mispriced.

In event investing, Taconic generally realizes profits from the difference between the purchase price of the security or other instrument of the company undergoing a specified event and the sales price obtained upon completion of the event. Taconic employs a research-based investment approach that depends on analysis, judgment and experience. Taconic evaluates four factors with respect to each potential investment:

- the probability that the anticipated event will occur;
- the expected value of the investment if the anticipated event does occur;
- the expected value of the investment if the anticipated event does not occur; and
- the timing of the anticipated event.

Decision-making is highly dynamic as Taconic evaluates and acts on changes in information and market prices on a real time basis.

Taconic has broad investment discretion in seeking to achieve the Funds' objectives, and the Funds may invest in the broadest range of securities and instruments (pre-existing or to be issued), including claims, obligations and derivatives such as swaps. Both the Event-Driven Funds and the Opportunity Funds are subject to diversification requirements and risk limitations that are set forth in more detail in each Fund's Confidential Private Offering memorandum.

Taconic pursues a flexible investment style and employ investment techniques and strategies that Taconic believes help the Funds pursue their investment objectives. Taconic cannot assure that any Fund will ultimately achieve the investment objectives described in this brochure or that any investment technique or strategy Taconic employs will be successful.

Sidecar Funds

The first Sidecar Funds are designed to capitalize on investment opportunities in trade claims of Icelandic banks created by the recent financial crisis.

Taconic may launch additional Sidecar funds in the future with different investment strategies.

ECDF Funds

The ECDF Funds are designed to capitalize on investment opportunities arising from the economic and financial crisis in Europe. The ECDF Funds focus on illiquid opportunities, including direct lending transactions to small- and medium-sized enterprises ("SMEs") that are too small to access high-yield markets and not large enough to be of interest to major banks, and distressed debt investments including debt and equity transactions to take ownership of underlying assets. Although the ECDF Funds may make investments throughout Europe, it focuses on opportunities in Spain. The ECDF Funds focus on direct lending to SMEs and on investing in distressed debt secured by commercial real estate, as well as distressed debt investments in renewable energy assets, non-performing loans and receivables factoring. The ECDF Funds seek to take advantage of the best of these opportunities (regardless of the liquidity profile of these investments) by utilizing a structure that is designed to minimize liquidity risk.

Risk of Loss

An investment in any Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. Further, event investing generally involves relatively small profits on a large number of investments and relatively large losses when an event goes wrong, either

because the anticipated event does not happen or the terms are adversely changed. Taconic analyzes and makes judgments regarding the probability of events including:

- the consummation or delay of, or failure to consummate, a merger and the price at which it occurs;
- the success or failure of a tender or exchange offer;
- the success, failure or delay of a corporate reorganization; and
- various bankruptcy related events.

In addition, successful event investing requires that Taconic analyze and evaluate the unique set of facts and circumstances of each event and to make judgments on:

- the price expected to be realized;
- the time to completion;
- the probability of success; and
- the loss if the investment is unsuccessful.

Taconic attempts to mitigate the risk of large losses by adjusting the position size in each investment by the likely expected loss if the anticipated event does not happen, by diversifying a Fund's portfolio and by investing at what Taconic believes to be the high quality end of available investment opportunities. However, if there are an unexpected number of failed events or incorrect judgments, a Fund could suffer substantial losses. Additionally, in prolonged periods of very low short-term interest rates, the Funds' performance will likely suffer. Taconic cannot guarantee that any Fund will ultimately achieve its investment objective.

In addition the Funds are subject to the risks inherent in the wide range of opportunities in which they may invest. These include the following risks:

Equity Risk

The market price of securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. The values of equity securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. In addition, securities that Taconic believes are

fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Funds anticipate. As a result, a Fund may lose all or substantially all of its investment in any particular instance.

Fixed-Income Securities

The Funds may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and “higher yielding” (and, therefore, higher risk) debt securities. Such securities may be below “investment grade” and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to meet timely interest and principal payments. The market values of certain of these lower-rated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated debt securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than higher-rated securities. Companies that issue lower-rated debt securities often are highly leveraged and may not have access to more traditional methods of financing. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

Distressed Securities

Investment in the securities of financially and/or operationally troubled issuers involves a high degree of credit and market risk. Securities of such issuers are typically more volatile and less liquid than securities of companies not experiencing such difficulties.

If a company is in bankruptcy, bondholders’ and other creditors’ claims are subject to factors such as deterioration of collateral during a stay in bankruptcy, challenges and/or possible invalidation of security interests, and disallowance or subordination of claims, all of which may be difficult to predict. Failure to accurately assess these situations could have a detrimental effect on the Funds’ investments in distressed securities.

Private Debt Transactions

The Funds may also invest in bank loans, make loans directly to creditors and engage in other types of private debt investments. Such investments are not traded on regulated exchanges, are not registered with U.S. or other governmental authorities and are not subject to the rules of any self-regulatory organization. Investment in bank loans may be in the form of either a participation or an assignment, although Taconic generally expects most bank loan investments to be assignments.

There are varying sources of statistical default rate data for term bank loans and numerous methods for measuring default rates. The historical performance of the term loan market is not necessarily indicative of its future performance. Should increases in default rates occur with respect to the bank loans in which the Funds invest, the Funds will suffer greater losses or reduced profits. Such information may be limited or unavailable with respect to other debt investments made by the Funds.

The Funds may also invest in bank loan participations, which involve certain risks in addition to those associated with direct loans. A bank loan participant has no contractual relationship with the borrower of the underlying bank loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such agreement. A participant in a syndicated bank loan generally does not have voting rights, which are retained by the lender. In addition, a bank loan participant is subject to the credit risk of the lender as well as the borrower, since a bank loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan.

Short Sales

Taconic may engage in a significant amount of short selling. Short selling, which involves selling securities not owned by the Funds, necessarily involves certain risks. These transactions expose the Funds to the risk of loss in an amount greater than the initial investment, and the losses can increase rapidly and without an effective limit. There is the risk that the securities borrowed by the Funds in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Funds may be compelled to replace borrowed securities previously sold short with purchases on the open market at a very disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

Derivatives in General; Hedging

The Funds may use a variety of financial instruments, such as short sales, options, swaps, caps and floors, and futures and forward contracts and similar derivatives, both for investment and risk management purposes. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. While the Funds may enter into derivative transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market conditions or against all types of risk (including unanticipated risks), incurring losses to the Funds. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses. Accordingly, such derivative transactions may

result in poorer overall performance for the Funds than if they had not engaged in such transactions.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited. Furthermore, to the extent that any hedging strategy involves the use of "over-the-counter" ("OTC") derivatives transactions, it would be affected by implementation of the various regulations adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank"). Finally, Taconic may decide not to hedge against, or may not anticipate, certain risks and the Funds will remain exposed to certain risks that cannot be hedged in some instances.

Swaps and Other Derivatives

The Funds may enter into swap and similar derivative transactions involving or relating to interest rates, credit risks, non-U.S. currencies, commodities, securities, investment fund interests, indices, prices or other items. A bilateral swap transaction is an individually negotiated, non-standardized agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, commodity prices, exchange rates, indices or prices, with payments generally calculated by reference to a principal ("notional") amount or quantity. Bilateral swap contracts and similar derivative contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. As a result, the Funds are subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Funds trade. Speculative position limits are not currently applicable to swap transactions, although the counterparties with which the Funds deal may limit the size or duration of positions available to the Funds as a consequence of credit considerations. However, Dodd-Frank significantly expands the CFTC's authority to impose position limits with respect to swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function. In response to this expansion of its authority, in 2012 the CFTC proposed a series of new speculative position limits with respect to futures and options on futures on so-called "exempt commodities: (which includes most energy and metals contracts) and with respect to agricultural commodities. Those proposed speculative position limits were vacated by a United States District Court, but the CFTC has again proposed a new set of speculative position rules which are not yet finalized (or effective). If the CFTC is successful in this second try, the counterparties with which the Funds deal may further limit the

size or duration of positions available to the Funds. All accounts owned or managed by Taconic are likely to be combined for speculative position limit purposes. The Funds could be required to liquidate positions it holds in order to comply with such limits, or may not be able to fully implement trading instructions, in order to comply with such limits. Any such liquidation or limited implementation could result in substantial losses to a Fund.

Investment in Small Companies

Although the Funds focus generally on larger capitalization stocks, there is no limitation on the size or operating experience of the companies in which the Funds may invest. Some small companies in which the Funds may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Investment in Non-U.S. Securities

The Funds may invest in non-U.S. securities, including those of emerging markets. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, abandonment of a common currency, withdrawal of one or more countries from a common currency, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Funds. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which the Funds may invest have substantially less volume than those in the United States, and securities of certain companies in non-U.S. countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, non-U.S. markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. These risks are heightened in emerging markets.

Reliance on Corporate Management and Financial Reporting

Taconic relies on the financial information made available by the issuers in which the Funds invest. Taconic has no ability to independently verify the financial information disseminated by the numerous issuers in which the Funds may invest and is dependent on the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud and accounting irregularities relating to the Funds' positions may result in material losses. Equity prices are particularly vulnerable to corporate mismanagement.

Options

The Funds may invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities becomes restricted.

The Funds may take advantage of opportunities with respect to swaps, options on various underlying instruments and swaptions and certain other customized "synthetic" derivative instruments, including instruments which are not presently contemplated or available for use by the Funds, which may involve special and unforeseeable risks.

Futures and Options on Futures Contracts

In entering into futures contracts and options on futures contracts, there is a credit risk that counterparty will not be able to meet its obligations. The counterparty for futures contracts and options on futures contracts traded in the United States and on most foreign futures exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members (*i.e.*, some foreign exchanges), it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing member or clearinghouse will be able to meet its obligations.

In addition, under the Commodity Exchange Act, futures commission merchants are required to maintain customers' assets on a segregated basis. If a Fund engages in futures and options contract trading and the futures commission merchants with whom that Fund maintains accounts fail to so segregate that Fund's assets or are not required to do so, the Fund will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. Even

where customers' funds are properly segregated, a Fund might be able to recover only a *pro rata* share of its property pursuant to a distribution of a bankrupt futures commission merchant's assets.

Futures contracts gains and losses are marked-to-market daily for purposes of determining margin requirements. Option positions generally are not, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options, there may be periods in which option positions on both sides must be closed down prematurely due to short-term cash flow needs. Were this to occur during an adverse move in the spread or straddle relationships, a substantial loss could occur.

Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a futures contract or an option on a futures contract can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions.

Regulation of Over-the-Counter Transactions

Some of the markets in which the Funds may effect transactions are OTC or "interdealer" markets. Dodd-Frank includes provisions that comprehensively regulate the OTC derivatives markets. Dodd-Frank will ultimately require that a substantial portion of OTC derivatives must be executed in regulated markets and be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouses, as well as possible SEC or CFTC-mandated margin requirements. OTC derivatives dealers typically demand the unilateral ability to increase a Fund's collateral requirements for cleared OTC trades beyond any regulatory and clearinghouse minimums. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements will apply to the holding of customer collateral by OTC derivative dealers. These requirements may increase the amount of collateral a Fund is required to provide and the costs associated with providing it.

OTC derivative dealers are required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations. This has and will continue to increase the dealers' costs, which are generally passed through to other market participants in the form of higher fees and less favorable dealer marks.

With respect to cleared OTC derivatives, Taconic will not face a clearinghouse directly but rather through face a clearinghouse that is registered with the CFTC or SEC to act as a clearing member. Taconic may face the indirect risk of the failure of another clearing member customer to meet its obligations to its clearing member. Such scenario could arise due to a default by the

clearing member on its obligations to the clearinghouse, triggered by a customer's failure to meet its obligations to the clearing member.

The SEC and CFTC will also require a substantial portion of derivative transactions that are currently executed on a bi-lateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Certain CFTC-regulated derivatives trades have been subject to these rules beginning in February 2014. It is not clear yet when the parallel SEC requirements will go into effect. Such requirement may make it more difficult and costly for investment funds to enter into highly tailored or customized transactions. They may also render certain strategies in which the Funds might otherwise engage impossible or so costly that they will no longer be economical to implement. If Taconic decides to become a direct member of one or more of these exchanges or execution facilities, Taconic would be subject to all of the rules of the exchange or execution facility, which would bring additional risk and liabilities, and potential additional regulatory requirements.

OTC derivative dealers are now required to register with the CFTC and will ultimately be required to register with the SEC. Dealers are subject to new minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest and other regulatory burdens. These requirements further increase the overall costs for OTC derivative dealers and other market participants, which may be passed along, at least partially, to market participants, such as the Funds, as market changes continue to be implemented. The overall impact of Dodd-Frank on the Funds remains highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime, along with additional sometimes overlapping regulatory requirements imposed by non-U.S. residents.

Mortgage-Backed Securities

The Funds may invest in mortgage-backed securities or "MBS." MBS are securities that entitle the holders thereof to receive payments that depend on the cash flow from mortgage loans secured by real estate (except for rights or other assets designed to ensure the servicing or timely distribution of proceeds to holders of such securities). MBS have yield and maturity characteristics corresponding to their underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain MBS (principally relating to residential mortgages) include both interest and a partial payment of principal. This partial payment of principal may comprise both a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing, or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of MBS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and the Funds would be required to reinvest the proceeds at the lower

interest rates then available. Prepayments of mortgages that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of MBS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option. There is no geographic, credit or other restrictions with respect to the mortgage collateral which may be collateralized.

Commercial mortgage-backed securities and asset-backed securities are also subject to comparable risks.

Securities Lending

As a means of earning additional income or for other reasons, the Funds may lend securities from their portfolios to brokers, dealers and other financial institutions that need to borrow securities to complete certain transactions. Each Fund's lending of securities is generally governed by a master securities loan agreement, which, among other things, requires the borrower to pledge collateral to that Fund to secure the return of the loaned securities and the borrower's other obligations under the master securities loan agreement. In general, the collateral provided by the borrower may consist of certain types of securities, cash or irrevocable letters of credit. The Funds are entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords the Funds an opportunity to earn interest on the amount of the loan and current income on the loaned securities themselves. However, Taconic does not vote proxies on securities that are lent. In addition, the Funds might experience a loss of any institution with which the Funds have engaged in a portfolio loan transaction breaches its agreement with the Funds. If the borrower becomes insolvent or bankrupt, the Funds could experience delays and costs in recovering loaned securities. To the extent that, in the meantime, the value of the loaned securities declines, the Funds could experience further losses

Activist Investing and Special Situations

Taconic seeks to effect change in companies in which it invests in order to increase the value of such investment. Such changes may involve mergers, acquisitions, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In addition, Taconic may make investments in companies based on their involvement in (or their being a target of) acquisition attempts, tender offers, work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any such investment, there exists the risk that the anticipated changes or transactions will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of these transactions, there is a potential risk of loss by the Funds of its investment in such companies.

The Funds may also seek to work constructively with management of certain of the Funds' investments. There can be no assurance that the management of any company will agree or acquiesce to the Funds' involvement in the affairs of the company, or that the strategies that the Funds hope to implement will be effective. Portfolio companies may respond to the Funds' proposals by litigation or other defensive measures, which may adversely affect the value of the Funds' investment and may result in high transaction expenses, particularly if the Funds resort to measures to protect the value of its investment. If the Funds resort to protective measures, such activity could also produce negative publicity for the Funds, which may itself have adverse consequences.

Activist investing may expose a Fund to significant legal and regulatory risk. Such investing may also subject a Fund to filing fees and other additional expenses, may require the Fund to publicly disclose certain of its positions and may adversely affect the Fund's ability to acquire or dispose of investment positions.

The Principals or any other officers or employees of Taconic may serve as executive officers or directors of certain companies in which the Fund invests. The exercise of control or influence over the management and policies of a company through such service could expose the assets of the Fund to claims by the portfolio company, its security holders and creditors, or could impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability. If these liabilities were to occur, the Fund could suffer losses in their investments.

Markets with Limited Liquidity

Some of the securities and other assets in which the Funds invest are thinly traded, which means that they may have limited liquidity and may be disposed of quickly only at substantial discounts or losses. The limited liquidity of a Fund's portfolio may affect the ability of investors to receive cash withdrawal proceeds. If withdrawals or other distributions are affected in kind, investors may be required to bear the economic risk of ownership of such investments for an indefinite period. In addition, investments held as side pocket investments may not be withdrawn until such investments are liquidated or another realization or deemed realization event occurs.

These and other risks are described in more detail in the each Fund's Confidential Private Offering Memorandum. Investing in securities involves a risk of loss that you should be prepared to bear.

General Real Estate Risks

The Funds may invest in real estate, either directly or in debt secured by real estate and other hard assets. The value of real estate fluctuates depending on conditions in the general economy and the real estate business. The factors that affect the value of real estate investments include,

among other things: national, regional and local economic conditions; the condition of financial markets; developments or trends in a particular industry; competition from other available space; local conditions such as an oversupply of space or a reduction in demand in the area; management of properties; the development and/or redevelopment of properties; changes in market rental and occupancy rates; the timing and costs associated with property improvements and rentals; changes in operating expenses; the financial condition of tenants; availability of obtaining financing on acceptable terms; fluctuations in interest rates; changes in zoning laws and taxation; government regulation; potential liability under environmental or other laws or regulations; and acts of God, terrorist attacks, social unrest and civil disturbances. The value of a Fund's investments directly in real estate or in debt secured thereby may decline as a result of adverse changes in any of these factors. In addition, adverse changes in the real estate market increase the probability of default, as the equity in the underlying property declines.

Investing in real estate and real estate-related instruments is subject to cyclicity and other uncertainties. There can be no assurance as to a Fund's performance in a weaker market or weakened economy. The cyclicity and leverage associated with real estate and real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments.

Risk of Litigation

In the ordinary course of business, the Funds may be subject to litigation from time to time. In addition, the Funds may accumulate substantial positions in the securities of issuers that become involved in proxy contests or other litigation. As a result of such investments, the Funds could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings, which may materially adversely affect the value of the Funds, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of Taconic's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Cybersecurity Breaches

The Funds are subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data as well as misappropriation of confidential information. If a cybersecurity breach occurs, the Funds may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of

confidential and proprietary information; and reputational damage. Any such breach could expose both Taconic and the Funds to civil liability as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial withdrawals from the Funds. In addition, Fund investors could be exposed to additional losses as a result of unauthorized use of their personal information.

Item 9 - Disciplinary Information

Taconic has not been involved in any legal or disciplinary events since its inception that would be material to your evaluation of Taconic, the Funds, or any of Taconic's personnel. In addition, none of Taconic's principals or employees has been involved in any legal or disciplinary events in the past ten years (or, to our knowledge, prior to that ten-year period) that would be material to your evaluation of Taconic, the Funds or any of Taconic's personnel.

Item 10 - Other Financial Industry Activities and Affiliations

Neither Taconic nor any of its principals or employees has any relationships or arrangements with a related financial services company or other service provider that pose material conflicts of interest.

As previously noted, Taconic provides investment management services to the private investment funds identified at Item 4 of this Brochure. In addition, Taconic has formed a number of entities to serve as General Partner to Taconic and to the private investment funds that are structured as Delaware limited partnerships or Cayman limited partnerships. Those General Partner entities are identified below:

Name of Entity	Serves as General Partner to
Taconic Capital Performance Partners LLC	Taconic Capital Advisors L.P.
Taconic Capital Partners LLC	Taconic Capital Partners 1.5 L.P. Taconic Offshore Intermediate Fund 1.5 L.P. Taconic Master Fund 1.5 L.P.
Taconic Associates LLC	Taconic Opportunity Fund L.P. Taconic Opportunity Intermediate Fund L.P. Taconic Opportunity Master Fund L.P. Taconic Employee Fund L.P.
Taconic MDF LLC	Taconic Market Dislocation Fund II L.P. Taconic Market Dislocation Offshore Fund II L.P.

	Taconic Market Dislocation Master Fund II L.P.
Taconic Sidecar GP LLC	Taconic Sidecar Fund I L.P. Taconic Overdrive Fund L.P.
Taconic ECDF LLC	Taconic European Credit Dislocation Fund L.P. Taconic European Credit Dislocation Fund Offshore Fund L.P. Taconic European Credit Dislocation Master Fund L.P.

Finally, as mentioned previously, Taconic UK has a related SEC-registered investment adviser located in the United States. TCA is managed through Taconic Capital Performance Partners LLC, its General Partner. TCA serves as investment manager to all of the Funds identified at Item 4 of this Brochure, as well as to Taconic Overdrive Fund L.P. and Taconic Employee Fund L.P., all of which are described more fully in the TCA Brochure, and is paid the fees described at Item 5 of this Brochure. You can find more information about TCA at its Form ADV and Brochure. Taconic shall deliver a copy of the TCA Brochure with every copy of this Brochure that is delivered to a Fund or a Fund investor or prospective investor.

TCA is registered with the Commodity Futures Trading Commission as a commodity pool operator. TCA is also a member of the National Futures Association.

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

Taconic principals and certain Taconic employees generally invest some of their personal assets in the Funds, and therefore hold indirect interests in the same underlying securities as other investors in the Funds. In addition, Taconic principals and employees may hold positions in, and sell for their own accounts (although only after preclearance) the same securities that Taconic buys and sells for the Funds. Taconic has adopted a Code of Ethics pursuant to the U.S. Investment Advisers Act of 1940 that limits the ability of Taconic personnel to trade in securities for their personal accounts and requires all personnel to preclear certain personal securities transactions with the Taconic Compliance Department. The Code also requires all personnel to report their personal trading activity to the Compliance Department. To reduce the potential conflicts between the personal trading of Taconic principals and employees and the trading of the Funds, the Code generally does not permit any Taconic principal or employee to purchase any single name publicly traded stocks or corporate bonds, and allows sales of such securities only after such person requests preclearance of such trades. As a practical matter, principals and employees are limited to trading in pooled vehicles such as mutual funds, closed-end investment companies, ETFs and private investment funds, as well as certain private securities, municipal

bonds, government securities, and other high quality, short-term debt securities that we have determined are not likely to cause a conflict with the Funds' trading.

The Code also explains each person's duty to maintain the confidentiality of Taconic's proprietary information as well as a policy against insider trading and restrictions with respect to giving or receiving of gifts and entertainment or making political contributions. Taconic provides all principals and employees with annual Code of Ethics training, and Taconic provides supplemental training with respect to the issues surrounding the use of material, non-public information from time to time, as needed. Upon request, Taconic will send you a copy of the Code of Ethics free of charge.

Taconic does not engage in principal transactions or agency cross transactions. Each month, however, Taconic examines the portfolios of the Event-Driven Funds and the Opportunity Funds (each a "Fund family") for rebalancing purposes. If the exposures of the Funds within each Fund family are not roughly proportional based on each Fund's size in investments in which that Fund participates, Taconic may rebalance the portfolios within a Fund family. In a rebalancing, securities are purchased and/or sold at market price between the affected Funds in a cross transaction. Taconic does not include side pocket investments in these rebalancings. Even with this rebalancing process, the portfolios of Funds within a Fund family may differ as a result of different tax, regulatory or other considerations.

Taconic is not compensated in connection with these rebalancing transactions. Since Taconic is advising both the buyer and the seller such transactions are not negotiated at arm's length and we could favor one Fund over another. However, Taconic only enters into such transactions when doing so is deemed to be in the best interests of all affected Funds.

Also, from time to time, for business reasons Taconic may prefer to transfer the economic performance of portfolio assets (without transferring the actual assets) or to purchase or sell assets among certain Funds within the same Fund family by using swap agreements, participation agreements and other arrangements. As with the rebalancing transactions described above, Taconic has a potential conflict of interest in determining the economic terms of these arrangements. Taconic will also have a conflict of interest should any of these arrangements suffer a default. Taconic acts in what Taconic believes to be the best interests of all entities, basing pricing determinations on identical valuation procedures for each of such entities.

Because both Taconic's principals and employees and its General Partner entities invest in the Funds, there may be an incentive to allocate investments in the Funds in a way that favors Taconic. Taconic has adopted allocation procedures that are designed to ensure that all allocations are made in the best interests of the Funds. Please see Multiple Clients; Trade Aggregation and Allocation under Item 12 – Brokerage Practices, for a summary of these procedures.

Item 12 - Brokerage Practices

Brokerage Selection, Best Execution and Use of Soft Dollars

Taconic is authorized, without limitation, to determine the broker or dealer to be used for each securities transaction for the Funds and to determine the commission rates paid on equity trades, and the final price paid on fixed income or other trades where a spread is built in the price in lieu of commission. In placing orders, Taconic seeks the most favorable execution terms reasonably available given the specific circumstances of each trade. Taconic considers the overall reputation and the level of service provided in selecting brokers to execute transactions. While Taconic generally seeks the most competitive rate, Taconic may select brokers who have a superior level of service rather than the lowest commission rate available on equity trades. Similarly, in the fixed income context factors other than price may factor into the execution decision.

Where best price and execution may be obtained from more than one dealer, Taconic may purchase and sell securities through dealers who provide research, statistical and other information. Taconic uses soft dollar benefits to service all of the Funds, not just the particular Fund or Funds that generated the soft dollars, although within any particular transaction the Fund generating the soft dollar benefit may not benefit from the research or other information obtained. In general, brokers may provide the following research or general assistance:

- General economic and market reviews;
- Industry and company reviews;
- Evaluations of investments and recommendations as to the purchase and sale of investments; and
- Assistance in obtaining access to corporate executives, including on-site corporate visits, as well as access to industry experts and invitations to industry seminars.

When Taconic uses brokers who also provide us with research or services, a portion of the commission the Funds pay to such brokers pays for such research or services. In these cases, Taconic receives a benefit because Taconic does not pay for such research or services. Taconic may have an incentive to select or recommend a broker-dealer based on its interest in receiving particular research or services, rather than on the Funds' interest in receiving the most favorable execution. In selecting brokers, Taconic makes a good faith determination that the amount of transaction fees charged by a broker are reasonable in comparison to the value of the research services provided. Taconic accepts research from brokers in accordance with the provisions of Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Taconic largely accepts proprietary research, but also have entered into client commission arrangements under which we agree with a broker executing trades for the Funds that a portion of the commissions paid by the Funds will be used to pay third party research providers. Taconic structures all such arrangements in accordance with SEC guidance in this area. Taconic also reviews the level of

trading allocated to each of its client commission arrangement brokers to determine that such allocation is appropriate in light of the quality of the execution provided and the amount of research obtained, and that research credits earned through such relationships are promptly spent to acquire research.

In accordance with the requirements of the FCA, as part of its analysis of the commissions paid, Taconic UK segregates commissions between research fees and execution fees. Taconic UK periodically discloses its commission analysis to the Funds. The research that Taconic UK purchases assists in the evaluation of current and potential investments within the Funds, and is not likely to interfere with Taconic UK's duty to act in the best interests of the Funds.

A conflict of interest may exist in that certain brokers that execute transactions for a Fund may also provide prime brokerage services, including capital introductions, for that Fund. In addition, affiliates of certain executing brokers may invest in one or more Funds. Taconic does not consider whether a broker provides prime brokerage services or whether its affiliate invests in the Funds when Taconic evaluates such broker's execution quality or select brokers to execute trades.

Multiple Clients; Trade Aggregation and Allocation

Taconic manages and provides investment advice to the Funds and/or other investment entities, including vehicles established to participate in co-investment opportunities, and may in the future provide investment advice to additional investment entities and separately managed accounts with investment strategies and policies similar in many respects to, or very different from, the Funds. There are no restrictions on the ability of Taconic and its affiliates to manage accounts of other clients following the same or different investment objectives, philosophies and strategies as those used for the Funds. The results of the Funds' activities may differ significantly from the results achieved by Taconic for any other accounts or clients for which it may manage or provide investment advisory services. Such vehicles or accounts may provide compensation to Taconic that is greater than that provided by the Funds, and Taconic may have financial or other incentives to favor such vehicles or accounts over the Funds.

Taconic may aggregate orders of Funds Taconic manages for trade execution and thereafter allocate the securities at an average price to such Funds. This does not necessarily result in reduced brokerage commission rates. In some cases, average pricing may result in higher or lower execution prices than those otherwise obtainable by a single Fund. Taconic believes that its policy for aggregating and allocating Fund orders is consistent with statements made by the SEC with respect to aggregation. Taconic also believes that aggregation is consistent with its duty to seek best execution for all clients.

A conflict could arise in the allocation of investment opportunities among Funds. To the extent a particular investment is suitable for multiple Funds, Taconic intends to allocate investment opportunities in a fair and reasonable manner that Taconic believes will be in the best interests of all the Funds involved over time, but Taconic can make no assurances of equal treatment. Taconic may allocate an investment opportunity wholly or primarily to some, but not all Funds, and certain Funds may not participate at all in such investment or may participate only on a limited basis.

Taconic may take the following factors (among others) into account in allocating securities among the Funds:

- the nature of the security to be allocated and the size of the available position;
- each Fund's investment objective and strategies;
- each Fund's risk profile;
- each Fund's tax status;
- each Fund's size;
- the total portfolio invested position;
- supply or demand for a security at a given price level;
- current market conditions, timing of cash flows and account liquidity; and
- any other information deemed to be relevant to the fair allocation of securities.

Trade Errors

Taconic has adopted a formal trade error policy that includes a process for tracking and resolving such errors. An overriding principle in dealing with trade errors made by Taconic is that the Funds never pay for losses that are deemed to be material resulting from such errors. Taconic will correct each error promptly, equitably and in the best interests of its clients. In adherence to Section 28(e) of the U.S. Securities Exchange Act of 1934, Taconic does not use "soft dollar" trading to compensate for errors nor will Fund accounts be charged in correcting trading errors. In general, when Taconic discovers a trade error and identify the responsible party, Taconic addresses the error the same day. Taconic reimburses the Fund for the amount of the loss, if it is deemed to be material. Taconic defines a material error as an error that in the aggregate across all affected Funds is more than \$10,000.

Item 13 - Review of Accounts

The Portfolio Manager of a Fund reviews the holdings of that Fund on a daily basis. Each Portfolio Manager monitors holdings in light of the Fund's investment guidelines and restrictions, as well as trading activity, significant corporate events, significant economic and general business conditions, and other activities that may dictate a change in portfolio positions. In addition, the Compliance Department monitors the portfolio of each Fund on a daily basis to ensure that Taconic has not violated the investment restrictions or guidelines of any Fund.

Investors in the Funds receive weekly and month-end performance estimates via e-mail. As well, investors in the Funds receive a statement of their account on a monthly basis, which includes both monthly and year-to-date performance information, when such information is available, and a quarterly letter, which updates investors on the Funds' performance and any developments at Taconic during the previous quarter. Taconic also provides all Fund investors with that Fund's audited financial statements and K-1's (if applicable) on an annual basis and with access to a password-protected website, at which they can access account and performance information. Fund investors may also obtain lagged portfolios upon request, provided that they sign a confidentiality agreement covering such information.

Item 14 - Client Referrals and Other Compensation

Taconic does not receive any economic benefit other than the fees described above for providing investment advice and advisory services to the Funds. In addition, Taconic does not engage any placement agents or compensate any person who is not a supervised person of Taconic for soliciting investors for the Funds.

Item 15 - Custody

An adviser has custody if it acts in any capacity that gives the adviser legal ownership of, or access to, the client funds or securities. Hence, Taconic has custody of Fund assets because it or one of its affiliates either (1) acts as general partner of a Fund with the authority to dispose of funds and securities in such Fund's account or (2) is deemed to have custody because of its ability to withdraw its fees directly from the Funds. Taconic maintains the majority of Fund assets at a prime broker, or custodial bank, all of whom are qualified custodians, as that term is defined under the custody rule under the Investment Advisers Act. Taconic self-custodies certain private, non-certificated investments such as bank debt and swaps in accordance with the private securities exemption of the custody rule. There is an independent agent for each bank debt position that maintains the ownership registers. In lieu of providing the quarterly custodial reports required by the custody rule, and in order to qualify for the private securities exemption described above, Taconic provides all Fund investors with audited financial statements of the relevant Fund within 120 days of such Fund's fiscal year end.

Item 16 - Investment Discretion

Taconic has complete investment discretion over the portfolios of the Funds, and are only limited by the investment restrictions set forth in each Fund's Confidential Private Offering Memorandum.

Item 17 - Voting Client Securities

Taconic may vote proxies on the Funds' behalf and Taconic's policy is to do so in the interest of maximizing shareholder value. To that end, Taconic will vote in a way that Taconic believes is consistent with its fiduciary duty, will cause the relevant position to increase the most or decline the least in value. Taconic considers both the short and long term implications of the relevant proposal in determining how to vote.

Taconic has not identified any conflicts of interest between the Funds' interests and its own within the proxy voting process. Nevertheless, if Taconic determines that a material conflict of interest exists in voting a proxy, the appropriate persons will meet and decide how to resolve the situation, including, where necessary, by hiring a third party to help resolve the conflict. Taconic may, on occasion, determine to abstain from voting a proxy or a specific proxy item when Taconic concludes that the potential benefit of voting is significantly outweighed by the costs of such vote. Examples of such situations are described in Taconic's proxy voting policies and procedures.

In addition, if Taconic receives "Class Action" documents on behalf of any Fund, Taconic will ensure that such Fund either participates in, or opts out of, any class action settlements received. Taconic will determine if it is in the best interest of the Funds to recover monies from a class action. The Portfolio Manager or other member of the Investing Desk covering the company will determine the action to be taken when receiving class action notices. In the event Taconic opts out of a class action settlement, Taconic will maintain documentation of any cost/benefit analysis that was performed to support such decision.

Taconic's complete proxy voting policy and procedures, including its policy with respect to class actions, are available for review. In addition, Taconic's complete proxy voting record is available to Fund investors, and only to Fund investors. Please contact us at FundInvestments@taconiccap.com if you have any questions or if you would like to review either of these documents.

Item 18 - Financial Information

Taconic has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts or meet contractual commitments to clients