

Item 1 – Cover Page

Form ADV Part 2A: FIRM BROCHURE



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This brochure provides information about the qualifications and business practices of Taconic Investment Partners LLC. If you have any questions about the contents of this brochure, please contact us at (212) 220-9945. 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 Investment Partners LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about Taconic Investment Partners LLC also is available on the SEC's website at <http://adviserinfo.sec.gov>.

Item 2 – Material Changes

There have been no material changes since our last annual update dated March 28, 2018. Taconic routinely makes changes throughout its brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry and Firm practices. In this year's filing, the following Items have been updated, in addition to certain immaterial changes and/or conforming changes related to the following:

- Item 4: updated to include clarifying information regarding our relying adviser and to reflect regulatory assets under management as of December 31, 2018;
- Item 8: updated to reflect additional risk factors and conflicts of interest;
- Item 10: updated to reflect certain industry affiliations.

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Item 4 – Advisory Business

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

Founded in 1997 by Paul Pariser and Charles Bendit, Taconic Investment Partners LLC and, beginning in 2007, relying adviser Taconic Investment Manager LLC (together with the fund general partners, “Taconic”, the “Firm” or “we”) provide investment advisory and other services to private investment funds. Based in New York City, we specialize in sourcing, underwriting and managing real estate investments.

Taconic provides investment advisory services to the following pooled investment vehicles: Taconic New York City Investment Fund LP (the “Taconic NYC Investment Fund”) and Taconic New York City GP Fund LP (the “Taconic NYC GP Fund”) (collectively, the “Funds”). We also invest in various real estate deals with other joint venture partners, either as a majority or passive investor.

The following general partners are affiliated with Taconic and are deemed to be relying advisers with authority to make investment decisions on behalf of each Fund: Taconic New York City Investment Fund GP LLC (the General Partner of the Taconic NYC Investment Fund); and Taconic New York City GP Fund GP, LLC (the General Partner of the NYC GP Fund). Each general partner has contracted with Taconic or an affiliate for day-to-day management of the Funds. For more information about the Taconic Funds and the General Partners of each Fund, please see our Form ADV Part 1, Schedule D, Section 7.A.(1). and 7.B.(1).

Taconic Investment Partners LLC (the filing adviser) and Taconic Investment Manager LLC (the relying adviser) collectively operate as a single advisory business: the advisers manage and provide investment advisory services solely to private funds that are qualified clients; Taconic Investment Partners LLC’s principal office and place of business is in the United States; Taconic Investment Manager LLC’s and the persons acting on its behalf are subject to Taconic Investment Partners LLC’s supervision and control; the advisory activities of both Taconic Investment Partners LLC and Taconic Investment Manager LLC are subject to the Advisers Act; and Taconic Investment Partners LLC and Taconic Investment Manager LLC operate under a single code of ethics administered by a single chief compliance officer.

Taconic is owned by Co-Chief Executive Officers Paul Pariser and Charles Bendit.

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of

investment advice you offer, and disclose that your advice is limited to those types of investments.

Taconic offers private investments in opportunistic and value-add opportunities solely in real estate and real estate related assets, with a strategy to acquire, reposition, redevelop and operate multifamily, office and mixed-use properties. At the current time, these investments are located solely within the New York City metropolitan area. Taconic invests a portion of the equity required for the investments as the General Partner of the applicable Fund and raises the additional equity required from institutional and other third party investors.

Taconic leverages its entrepreneurial approach, vertically integrated platform and extensive network of relationships to acquire, develop, reposition and operate real estate. A team of seasoned investment, development, asset management, leasing and property management professionals executes the business plan. Taconic generally manages the day-to-day operations of these real estate projects and maintains an active oversight of each project, including retaining decision rights, subject to the limitations of each deal's operating agreement, private placement memorandum, limited partnership agreement, investment advisory agreement and other governing documents of the relevant Fund (collectively, the "Governing Documents"). Taconic also invests in various real estate deals with other joint venture partners, either as a majority or passive investor. While we provide day-to-day management over many of these joint venture investments, we do not exercise full discretion over such investments and thus do not deem them securities; accordingly, while mentioned throughout this brochure, such joint venture investments are not considered clients and are not included in our regulatory assets under management. In addition, also not affiliated with our investment advisory business, we provide construction and development advisory services to third-parties through a wholly owned affiliate.

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

Our advisory services are typically not specifically tailored to the individual needs of limited partners in the Funds or investments; investment advice and authority are tailored to the investment objectives of each Fund or investment as described in the relevant Governing Documents.

Limited partners cannot impose restrictions on investing in certain securities or types of securities other than as set forth in the Governing Documents. Limited partners participate in the overall investment program for the applicable partnership and generally cannot be excused from a particular investment except pursuant to the terms of the applicable partnership agreement. We have entered into side letters or similar agreements with certain limited partners that have the effect of establishing rights under, or altering or supplementing a Fund's partnership agreement.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you

manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

Taconic does not participate in wrap fee programs.

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.

As of December 31, 2018, Taconic managed \$236,415,733 of regulatory assets under management in its Funds, all of which is managed on a discretionary basis.

Item 5 – Fees and Compensation

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Taconic receives an annual investment management fee from the limited partners in its Funds of up to 1.50% of the equity committed or invested in a Fund during that Fund’s commitment period. Upon termination of the commitment, the fee is subject to certain adjustments. Such fee may be reduced by the amount of the Fund’s organizational costs, above a defined threshold, as well as in certain cases, reduced by fees paid to placement agents, if applicable. The specific terms of each Fund’s management fee calculations are detailed in such Fund’s Governing Documents.

Management fees for joint venture investments are negotiated on a deal-by-deal basis and approved by our joint venture partners as reflected in the Governing Documents of each investment.

B. Describe whether you deduct fees from clients’ assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

Fees are payable quarterly in advance and are deducted from clients’ (*i.e.*, the Funds’) assets. Fees for joint venture investments are payable as negotiated on a deal-by-deal basis and approved by our joint venture partners as reflected in the Governing Documents of each investment.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

Affiliates of Taconic, which act as the General Partners of the Funds, and limited partners in each Fund have the ability to earn a “preferred return” on invested capital. Pursuant to each Fund’s limited partnership agreement, the preferred return is calculated on a negotiated and agreed upon annual return rate per annum. The preferred return, along with the contributed capital, represent the initial

distributions to limited partners. Thereafter, distributions are split between the parties pursuant to a waterfall calculation, as defined in the Fund's Governing Documents, which may result in a carried interest distribution to the General Partner or other Taconic affiliates.

All Funds are responsible for the ordinary day-to-day expenses incidental to the administration of the Fund. Additionally, the Funds are responsible for all third-party costs and expenses of maintaining their respective operations, including but not limited to: fees and other out-of-pocket expenses directly related to the investigation of investment opportunities, whether or not consummated; the acquisition, ownership, financing, hedging or sale of its investments (to the extent not paid for or reimbursed by such investment); taxes; fees and other governmental charges levied against the Funds; administrative and research fees; fees for outside services; expenses of custodians, outside advisors, auditors, accountants, administrators, counsel and other consultants and professionals; expenses of the Advisory Committee and Investment Committee; insurance; technological expenses; interest on and fees, costs and expenses arising out of all financings entered into by the Funds; travel expenses; to the extent not paid by any investment, costs of any on-site personnel at any investment; litigation expenses; liquidation expenses; expenses associated with the preparation and distribution of reports to limited partners; indemnification and other unreimbursed expenses; and any extraordinary expenses to the extent not reimbursed or paid by insurance. Expenses differ across Funds; more detailed information regarding expenses is available in the respective Fund's Governing Documents.

Each Fund is also responsible for the costs associated with organizing the Fund. Each Fund bears all legal and other organizational and offering expenses incurred in the formation of such Fund up to an amount specified in such Fund's Governing Documents. Any amounts incurred in excess of such cap, if any, will be borne by Taconic.

Taconic or its affiliate is entitled to receive the following fees from one or more of the Funds, as specified: a property management fee for both commercial and residential properties; a construction and/or development fee; and a leasing oversight fee. More information about each of these fees is available in the respective Fund's Governing Documents. Additionally, each Fund's General Partner is authorized and expected to cause the Fund and/or its investment to engage one or more affiliates of the General Partner (referred to in such capacity as a "Service Affiliate") to perform certain services for which the Fund or its investment would otherwise retain third parties, including, without limitation, leasing, property management, maintenance, construction management, and similar services. Each Service Affiliate will be paid for services performed pursuant to the terms of its engagement, irrespective of a Fund's or the investment's performance, on the terms set forth in the relevant Governing Documents. Service Affiliates may make a profit from the provision of such services.

Fees and expenses for the joint venture investments are negotiated on a deal-by-deal basis and approved by our joint venture partners as reflected in the Governing Documents of each investment.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

Management fees are payable quarterly in advance and are deducted from clients' (*i.e.*, the Funds') assets. No portion of the fee is refundable once paid. Fees for joint venture investments are payable quarterly and determined on a deal-by-deal basis as reflected in the Governing Documents of each investment.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

No supervised person of Taconic accepts direct compensation for the sale of securities or other investment products other than as described in this Item 5, Item 6 and throughout this brochure.

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

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

As noted in Item 5 above, affiliates of Taconic have the ability to earn performance-based fees from the Funds. Pursuant to each Fund's limited partnership agreement, a preferred return on invested capital is calculated on a negotiated and agreed upon annual return rate per annum. The preferred return, along with the contributed capital, represent the initial distributions to limited partners. Thereafter, distributions are split between the parties pursuant to a waterfall calculation, as defined in each Fund's Governing Documents. As such, the distributions may result in a carried interest to the General Partners.

These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 thereunder. The General Partner of each Fund is permitted, in its sole discretion, to waive or reduce the amount of preferred return for a limited partner in a Fund, and has done so for principals and employees of Taconic, who invest substantial capital alongside the Funds' limited partners.

Limited partners should be aware that a performance-based fee arrangement can create an incentive for Taconic to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Taconic believes that this incentive is sufficiently mitigated, however, because any losses the Funds sustain reduce each General Partner's carried interest distribution and because the Taconic principals and employees have also invested their own capital alongside Fund limited partners.

Preferred returns for the joint venture investments are negotiated on a deal-by-deal basis.

Item 7 – Types of Clients

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

Taconic provides investment advisory services to pooled investment vehicles managed by Taconic's affiliates, with underlying limited partners that represent, but are not limited to, public pension funds and other institutional investors. The Funds generally limit their respective limited partners to "accredited investors" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act") and "qualified clients" as defined in Rule 205-3 promulgated under the Advisers Act and, in the case of those Funds that rely on the exemption from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act"), provided by Section 3(c)(7) thereof, "qualified purchasers" or "knowledgeable employees" as defined in that Act. The Funds typically require capital commitments from each limited partner of at least \$1.0 million, although a Fund's Governing Documents allow for exceptions under certain circumstances, and the Funds have previously, in certain instances, permitted limited partners to make capital contributions of less than \$1.0 million.

Taconic also serves as the manager for co-investment vehicles that invest in certain Fund investments. Opportunities to co-invest in an investment may be made available to any person or entity, including, without limitation, strategic investors, lenders, deal sources, other investment advisers, Fund limited partners, other persons or entities affiliated, associated or otherwise known to Taconic or its personnel and unrelated third parties. These may arise whenever Taconic has the opportunity for an investment in an existing or prospective property or investment and Taconic determines that all or a portion of the applicable opportunity is not required to be offered to, or is not appropriate for, a Fund. Such determinations are based on the provisions of the applicable Funds' Governing Documents and such other factors as Taconic may consider in its sole discretion, including those that may be specified from time to time in its policies on investment allocation and co-investments. For the Taconic NYC GP Fund, limited partners in the Fund are entitled to have the first opportunity to make co-investments in a Fund investment in accordance with the Governing Documents of the Fund.

Taconic may, in its sole discretion, offer co-investment opportunities to some limited partners in its Funds while not offering them to other limited partners of its Funds, and may cause some Fund limited partners and/or other co-investors to bear a management fee and/or preferred return while not imposing a management fee and/or preferred return (or imposing a different management fee or preferred return) on other Fund limited partners and/or other co-investors. In Taconic's sole discretion, some co-investment vehicles and/or co-investors may bear all or a portion of certain expenses (*e.g.*, legal and other expenses associated with an investment), while other co-investment vehicles and/or co-investors do not share in such expenses.

As mentioned above, we do not consider the joint venture investments to be clients as they are not securities over which we have discretionary authority, nor do we provide investment management services to the underlying investors of such joint venture investments.

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

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

Taconic provides investment advisory services solely with respect to real estate and real estate related investments in the New York City metropolitan area. Taconic's strategy is to target and exploit value-add and opportunistic investments through recapitalization, re-development, development, renovation and rehabilitation. These strategies may include the use of leverage, while presenting the risk of little or no income during the initial years of the asset. Taconic leverages its entrepreneurial approach, vertically integrated platform and extensive network of relationships to acquire, develop, reposition and operate real estate. A team of seasoned investment, development, asset management, leasing and property management professionals executes the business plan. Taconic's success is rooted in intensive market selection, broad sourcing capabilities, comprehensive due diligence, detailed financial analysis, diligent management and timely property dispositions. Taconic's disciplined investment approach focuses on ground-up developments and repositioning opportunities in assets with significant value-add potential.

Taconic conducts thorough due diligence to identify and mitigate potential risks associated with each prospective transaction. This approach includes analysis of the investment, local and macro market and economic conditions, multiple scenario financial analyses, required capital improvements, and legal, structural, title, environmental and other customary reviews.

Subsequent to acquisition, Taconic closely monitors each investment's position in the marketplace, along with submarket forecasting information, in an effort to effectively manage and mitigate potential risks as well as maximize the total value of each investment and its related strategy during its holding period and upon disposition.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Investing in the Funds offered by Taconic involves risk of loss that investors should be prepared to bear. Investors are advised to pay careful attention to the sections of each Fund's private placement memorandum that discuss risk factors, conflicts of interest and other investment considerations. In addition, investors are encouraged to seek their own individual legal and tax advice regarding an investment in a Fund before making an investment decision. There can be no assurance that Taconic will achieve the investment objectives of the Funds and a loss of investment may be possible.

Risks Associated with the Funds' Management

Lack of Management Rights: The Funds' limited partners will have no opportunity to control the day-to-day operations of the Funds, including investment and disposition decisions. Subject to certain investment limitations set out in each Fund's partnership agreement, each Fund's General Partner will have sole and absolute discretion in structuring, negotiating, purchasing, financing and eventually divesting investments on behalf of the Funds. Consequently, prospective investors will not be able to evaluate for themselves the merits of particular investments prior to or after the limited partner's subscription for interests or prior to or after the Funds' investment in a particular investment, nor will limited partners be entitled to participate in any manner in the decisions regarding financing or divestiture of investments. Even in situations where a Fund's limited partners vote on matters affecting the Fund, a small group of limited partners with relatively large capital commitments could have the requisite percentage of votes to determine the outcome of such decisions. The concentrations of voting power will change as the Funds conduct closings or limited partners transfer their interests. Such concentration of voting power, if it occurs, could have the effects of limiting the ability of limited partners with relatively smaller capital commitments to have meaningful voting power on matters requiring a vote of the limited partners.

Dependence on Key Personnel: The success of the Funds will depend to a significant extent upon the experience of Taconic's senior management and on the other members of Taconic's management team, whose continued service is not guaranteed. Loss of one or more of these individuals could adversely affect a Fund's performance through a diminished capacity to obtain investment opportunities, to structure and execute a Fund's potential investments or to otherwise execute a Fund's investment strategy.

Transactions with Affiliates: Each Fund's General Partner is authorized and expected to cause the Fund and/or its investment to engage one or more affiliates of the General Partner (referred to in such capacity as a "Service Affiliate") to perform certain services for which the Fund or its investment would otherwise retain third parties, including, without limitation, leasing, property management, maintenance, construction management and similar services. Each Service Affiliate will be paid for

services performed pursuant to the terms of its engagement, irrespective of a Fund's or the investment's performance, on the terms set forth in the relevant Governing Documents. Service Affiliates may make a profit from the provision of such services. Conflicts of interest may arise with respect to the selection of a Service Affiliate as opposed to an unaffiliated third party and the supervision of a Service Affiliate, but Taconic shall ensure that any Service Affiliate selected shall be duly qualified to perform the relevant services on terms that are in the best interests of Taconic's Funds. By investing in the Funds, the limited partners consent to the engagement of the Service Affiliates.

Cybersecurity Risk. The Funds, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investments, despite the efforts of service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their investments. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of the Funds, their investments, their service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce or blackmail employees, customers, third-party service providers or other users of such systems to disclose sensitive information to gain access to the confidential data. A successful penetration or circumvention of the security of such systems could result in the loss or theft of data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

Risks Related to Owning Interests in the Funds

Limited Liquidity and Restrictions on Transfers: As limited partners, investors should be aware that they will be required to bear the financial risks of an investment in the Funds for an indefinite period of time including the risk of loss of their entire investment. An investment in the Funds provides limited liquidity as the interests acquired by investors are not freely transferable. The transfer of interests in the Funds is subject to compliance with applicable securities laws and may be limited by the Employee Retirement Income Security Act of 1974, as amended, ("ERISA") restrictions and/or tax considerations. No public or private market presently exists for the interests nor is one expected to develop. It is not contemplated that the interests will be registered under either the Securities Act or the Securities Exchange Act of 1934, as amended, and therefore it is unlikely that a public market for the interests will ever develop. There is no obligation on the part of any person to register any Fund interests under the Securities Act, any Fund under the Investment Company Act or any securities laws of any state within the United States or other jurisdiction. An investment in the Funds requires a long-term commitment, with no certainty of return or liquidity, and minority interest may not be marketable. Moreover, Fund interests may be transferred only if the transfer would not require

registration of such interests under the Securities Act or any Fund as an investment company under the Investment Company Act. Any transfer also requires the prior written consent of the applicable General Partner which it may grant or withhold in its discretion. The Fund interests therefore represent highly illiquid investments and should only be acquired by investors able to commit their funds for an indefinite period of time.

Fund Level Risks

Recycling of Capital: Due to the ability of the Taconic NYC GP Fund to recycle commitments (within certain parameters), a limited partner of the Taconic NYC GP Fund may, in the aggregate, be required to fund an aggregate amount in excess of its commitment during the term of the Fund.

Litigation: In the ordinary course of its business, a Fund or its investment vehicles may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of a Fund and may continue without resolution for long periods of time. The costs of such litigation will be borne by the Fund and its limited partners. While some litigation may be covered by insurance and defended by insurance counsel, any litigation may consume substantial amounts of the applicable General Partner's and 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.

Investment Strategy Risks

Absence of Diversification: The Funds focus on investments located primarily in the greater New York City metropolitan areas, namely office, retail, residential and industrial properties generally located within 50 miles of Manhattan. As such, the Funds are susceptible to local economic conditions, other regulations, the supply of and demand for office, retail, residential and industrial properties in the greater New York City metropolitan areas, as well as any natural disasters, terrorist attacks or other similar catastrophic events that may occur in the area. If there is a downturn in the economy, an oversupply of or decrease in demand for office, retail, residential and industrial properties in the area or natural disasters, terrorist attacks or other similar catastrophic events in the area, the Funds' business could be materially adversely affected to a greater extent than if its investments were more geographically diversified. Such a downturn may have pronounced effects on the cash available for distribution or on the value of the Funds' assets than if the Funds had more fully diversified its investments.

Real Estate Risks Generally: The Funds' investments are subject to various real estate risks, including: acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses; acts of war or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001; adverse changes in national and local economic and market conditions; and changes in, and related costs of compliance with, governmental laws and regulations, fiscal policies and zoning ordinances. The value of the Funds' investments and the cash flow to the Funds may fluctuate due to these factors and others and may be significantly diminished in the event of a downturn in the market for real estate and real estate-related assets. Such risks may materially

and adversely affect operating results or make the sale or refinancing of investments difficult or unattractive and the possibility of loss of capital will exist. Prospective investors should not subscribe unless they can readily bear the consequences of such loss.

Uninsured Losses: The Funds intend to maintain comprehensive insurance on each of its investments in real property, including general liability, fire, extended coverage and rental loss insurance. The Funds will endeavor to obtain coverage of the type and in the amount customarily obtained by owners of similar properties. There are certain types of losses, however, generally of a catastrophic nature, that may be uninsurable or insurable only at such high rates that to maintain such coverage would cause an adverse impact on the related investment property (or properties). Each policy typically has a deductible amount to be borne by the owner of the asset in question. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property. As a result, not all properties may be insured against terrorism. Inflation, changes in building codes and ordinances, environmental considerations and other factors may also make it infeasible to use insurance proceeds to replace a property (or properties) if it is damaged or destroyed. Under such circumstances, the insurance proceeds received by an affected Fund might not be adequate to restore its economic position with respect to the affected properties. If a major uninsured loss occurs, an affected Fund could lose both invested capital in and anticipated profits from the affected properties.

Real Estate Investment Risks:

- adverse changes in national or local real estate, economic and demographic conditions;
- changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding);
- adverse changes in financial conditions of buyers, sellers and residents of real estate;
- the financial resources of tenants and the subsequent inability to collect rent from residents;
- increases in expenses, including insurance costs, labor costs, energy prices, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies to the extent that any Fund is unable to pass on these increases to its tenants;
- the perceptions of prospective residents of the safety, convenience and attractiveness of properties or neighborhoods in which they are located and the quality of local schools, public services and other amenities (and the impact of the investments thereon);

- changes in, and changes in enforcement of, laws, regulations and governmental policies, including health, safety, environmental, rental property, zoning and tax laws, governmental fiscal policies and the Americans with Disabilities Act of 1990, as amended;
- contingent liabilities on disposition of assets;
- events of force majeure; and
- the ability of the General Partners to provide adequate management, maintenance and insurance.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in adverse terms and conditions for loans, a general decline in rents or an increased incidence of defaults under existing leases.

Risks of Acquisition, Redevelopment and Development Activities: The Funds intend to acquire, redevelop and develop investments on a select basis. There can be no assurance that the Funds will undertake to acquire, redevelop or develop any particular site or that it will be able to complete such acquisition, redevelopment or development if it is undertaken. Risks associated with the Funds' acquisition, redevelopment and development activities include the following:

- acquisition, redevelopment and development opportunities explored by the Funds may be abandoned and, as a result, the Funds may fail to recover expenses already incurred in connection with exploring such opportunities;
- acquisition, redevelopment and development costs for an investment, including, without limitation, materials, labor or other expenses may exceed original estimates, possibly making the investment uneconomical;
- zoning, land-use, building, occupancy and other required governmental permits and authorizations may be difficult or impossible to obtain, leading to delays in and/or abandonment of all or a portion of the acquisition, redevelopment or development of an investment;
- construction and lease-up may not be completed on schedule, resulting in increased debt service, carry costs and redevelopment or development costs;
- leasing costs and tenant improvement costs may exceed expectations and, therefore, adversely affect the operating performance of an investment; and
- construction and permanent financing may not be available on favorable terms.

The occurrence of any of the events described above could result in meaningful unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could adversely affect the Funds' ability to achieve its projected yields on investments under redevelopment or development and, in turn, could reduce potential distributions by the Funds. Properties under development or properties acquired for development may distribute little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits both before and after the date of completion. In addition, market conditions may change during the course of development which would make such development less attractive than at the time it was commenced.

Leasing Delays and Tenant Bankruptcies: The Funds' receipt of income may depend upon the cash flows each derives from lease payments under applicable leases. Therefore, the performance of the Funds' investments will depend upon the ability to lease and re-lease space within the applicable properties and on the various tenants' payment of rent as required under their leases and performance of other lease obligations, such as maintenance of properties, payment of taxes, utilities and other charges and maintenance of insurance. The Funds will have no control over the actions of any of its tenants and, at any time, any of its tenants may delay lease commencement or renewal, fail to make lease payments when due, fail to timely perform lease obligations or declare bankruptcy. Any leasing delays, tenant failures to make lease payments when due, failure to timely perform lease obligations or tenant bankruptcies could result in the termination of the tenant's lease and, particularly in the case of a large tenant, material losses to the Funds, and could harm the Funds' ability to make distributions or otherwise operate its business.

If tenants are unable to comply with the terms of a Fund's leases, that Fund may be forced to modify lease terms in ways that are unfavorable to it. Alternatively, the failure of a tenant to perform under a lease or to extend a lease upon expiration of its term could require a Fund to declare a default, repossess the property, find a suitable replacement tenant, re-lease the space or perform additional work to re-lease it, operate the property or sell the property. There is no assurance that the Funds will be able to lease the property on substantially equivalent or better terms than the prior lease, or at all, successfully reposition the property for other uses, successfully operate the property or sell the property on terms that are favorable to the Funds.

Liquidity Considerations: The real estate investments to be made by the Funds will be illiquid. Dispositions of such investments also are typically subject to limitations on transfer, approval rights or other restrictions that would interfere with the subsequent sale of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In addition, the Funds may invest in securities of privately held companies for which there is no public market. The Funds will generally not be able to sell these securities unless such securities are registered under applicable securities laws or unless an exemption from such registration requirements is available. In some cases, the Funds may be prohibited by contract from selling securities or investments for a period of time. There is also the risk that the Funds will be unable to dispose of such securities or investments at attractive prices or otherwise execute a successful exit strategy. Real estate can be difficult to sell,

especially if local market conditions are poor, including if credit markets tighten or events of force majeure occur. Such illiquidity may limit the ability of the Funds to vary its portfolio promptly in response to changes in economic or other conditions and limit near-term cash flow available for distribution to its limited partners. No assurances can be given that the fair market value of any of the Funds' investments will not decrease during the term of the Funds.

Competition: The activity of identifying, completing and realizing attractive real estate investments is highly competitive and involves a high degree of uncertainty, especially in Manhattan. The acquisition of the Funds' investments is often based on competitive bidding, and other competitors for the acquisition, redevelopment and development of properties, including REITs, insurance companies, pension funds, partnerships, investment companies and real estate investment funds, may have greater economic and personnel resources than those of the Funds or better relationships with sellers of the Funds' investments, lenders and others, thereby putting the Funds at a competitive disadvantage. These entities, because of their resources, may also generally be able to accept more risk than the Funds prudently can manage. This competition may generally reduce the number of suitable prospective investments offered to the Funds and increase the prices for properties of the type the Funds would likely pursue. As a result, the Funds may not be able, or have the opportunity, to make suitable investments on favorable terms, which could have an adverse effect on the Funds' results of operations and hinder a Fund's growth rate. There can be no assurance that the Funds will be able to locate, complete and exit investments which satisfy a Fund's rate of return objectives, or realize upon their values, or that a Fund will be able to invest fully its committed capital.

Valuation: The market value of the Funds' investments will generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular security, and the conditions of financial markets. Most of the Funds' investments will be investments for which there is no, or limited, liquid market. The fair value of such investments may not be readily determinable. The Funds will value their respective investments periodically at fair value as determined by the applicable General Partner. The valuations used by a General Partner for a substantial portion of its Fund's investments may therefore not reflect the most recently available market information. The types of factors that can be considered in fair value pricing of valuing a Fund's investments include discounted cash flows, prevailing market conditions with respect to the location of the property investment, similar property sales and other relevant factors. Because such valuations are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates; the General Partners' determination of fair value may differ materially from the actual results obtainable in an arm's length sale of such investments to a third party or from the opinions of other real estate professionals. Each Fund's financial condition and results of operations could be adversely affected if its fair value determinations were materially higher than the values that it ultimately realizes upon the realization of such investments.

Renovation Risk: Taconic expects that nearly all of the Funds' investments other than new development projects will require some level of renovation immediately upon acquisition or in the future following expiration of a lease, development of plans and specifications or otherwise. The Funds will be required

to make ongoing capital improvements and replacements and may need to perform significant renovations from time to time. The Funds' investments will have infrastructure and appliances of varying ages and conditions. Consequently, Taconic expects that the Funds will routinely retain architects, engineers and other consultants to design such capital improvements and third-party vendors to perform physical repair work and will be exposed to all of the risks inherent in property renovation, including potential cost overruns, latent defects, increases in labor and materials costs, variations between cost estimations of contractors and construction professionals and the actual contract sums to perform the work in question, delays by contractors in completing work, delays in the timing of receiving necessary work permits, governmental inspections and approvals, certificates of occupancy and poor workmanship, the financial strength of the contractors, insufficient professional liability insurance of architects or engineers of design flaws, changed orders and cost overruns and inability to bond contractors. If a General Partner's assumptions regarding the costs or timing of renovations across a Fund's investments prove to be materially inaccurate, a Fund may be unable to service its debt, additional capital contributions may be required and a Fund's earnings and distributable cash may be adversely affected.

Troubled Origination: The Funds may make meaningful investments in non-performing or other troubled assets that involve a degree of financial risk and are experiencing or are expected to experience severe financial difficulties that may never be overcome. The investments in certain instances may have been originated by financial institutions that are insolvent, in serious financial difficulty or no longer in existence. As a result, the standards by which such investments were originated, the recourse to the selling institution or the standards by which such investments are being serviced or operated may be adversely affected. Further, investments in properties operating under the close supervision of a mortgage lender are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of a Fund's original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions.

Multi-Family Properties: Some of the Funds' investments consist of investments related to multi-family properties. Concentration in these properties may increase the volatility of a Fund's returns and may expose them to increased risk in the event of economic downturns in this sector. As a result, economic downturns in this sector could have an adverse effect on the financial condition, results of operations and cash flow of the Funds. The Funds would also be adversely affected if a significant number of tenants were unable to pay rent or if vacant apartments could not be rented on favorable terms. Unlike many other types of real estate investment, multi-family properties do not have tenants occupying large portions of the property whose lease payments provide relatively reliable sources of income for extended lease terms. Instead, such properties will typically have individual residential tenants and with lease terms that are often one year or less. Multi-family properties generally experience frequent tenant turnover due to factors such as transient populations, new competition in the area and changes in the tenants' economic status. In addition to continuously needing to replace vacating tenants, tenant turnover at multi-family properties may cause the property owner to incur significant rent-up costs in

order to prepare a unit for new tenants. Some tenants have rent stabilized or rent controlled leases and pay below-market rents or receive assistance from government programs, and some properties with such tenants receive tax abatements or other government subsidies. Laws, rules and regulations regarding these properties and governmental programs may change. There can be no assurance these programs will continue into the future. There can be no assurance that these factors will not adversely affect the value of a Fund's investment in multi-family properties.

Office or Retail Properties: Some of the Funds' investments consist of office or retail properties. Office building properties, retail properties and mixed-use properties are subject to a number of operating risks, including, among other things: (i) competition from other buildings and properties in the same geographic market; (ii) increases in operating and maintenance costs; (iii) dependence on key tenants; (iv) fluctuating lease and occupancy rates; (v) the financial stability of tenants and related risks of default by tenants experiencing financial problems; and (vi) adverse effects of general and local economic conditions. These factors could adversely affect a Fund's ability to generate revenues and make distributions to its limited partners. A Fund's financial results will depend in part on leasing space in the properties it acquires to tenants on economically favorable terms. A default by a tenant, the failure of a guarantor to fulfill its obligations or other premature termination of a lease, or a tenant's election not to extend a lease upon its expiration could have an adverse effect on a Fund's income, general financial condition and ability to pay distributions. Tenants may have the right to terminate their leases upon the occurrence of certain customary events of default and, in other circumstances, may not renew their leases or, because of market conditions, may be able to renew their leases on terms that are less favorable to a Fund than the terms of the current leases. If a lease is terminated, a Fund cannot assure limited partners that it would be possible to lease the property for the rent previously received or sell the property without incurring a loss. A Fund's income can likewise be adversely impacted in the event significant tenants do not renew leases or, because of market conditions, are able to renew their leases on terms that may be less favorable to a Fund than the terms of the current leases.

Environmental Considerations: As is the case with any holder of real estate investments, a Fund could face meaningful risk of loss from environmental claims based on environmental problems associated with the Fund's investments. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. Certain U.S. federal, state, and local laws, regulations and ordinances govern the removal, encapsulation, or disturbance of asbestos-containing materials ("ACMs") and/or lead paint when such materials are in poor condition or in the event of construction, re-modelling, renovation or demolition of a building. These laws may impose liability for release of ACMs and/or lead paint and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs and/or lead paint. Each fund endeavors to procure environmental liability insurance but there can be no assurance that such insurance will be available, in the budget for the property in question or feasible. The presence of hazardous waste or toxic substances, or the failure to properly remediate such

hazardous waste or toxic substances, may have a material adverse effect on a Fund's results of operations, financial condition and its ability to make distributions.

Real Estate Financing Risks

Potential Restrictive Covenants: The Funds are expected to enter into a credit facility with one or more lenders in order to, among other things, finance the acquisition of such Fund's investments. It is anticipated that any such credit facility will contain a number of common covenants that, among other things, might restrict the ability of a Fund and any subsidiary, if applicable, to: (i) acquire or dispose of assets or businesses; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into leases, investments or acquisitions; (vii) engage in mergers or consolidations; (viii) make capital calls to the limited partners; (ix) amend certain documents, such as the Governing Documents, subscription agreements and any subsidiary's organizational documents, if applicable; or (x) engage in certain transactions with affiliates, and otherwise restrict activities of the Fund (including its ability to acquire additional investments, businesses or assets, or effect certain changes of control or asset sale transactions) without the consent of the lenders. A Fund may obtain a credit facility. Borrowings under a proposed credit facility may be secured, among other things, by the interests of the limited partners in a Fund and by their obligations to make capital contributions. Any inability of a Fund to repay such borrowings could enable a lender to take action against the limited partners. In addition, such a credit facility may require a Fund to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements, among others.

Leverage of Investments: The Funds are permitted to and often leverage its investments with non-recourse debt financing but many such financings contain non-recourse carve-out liabilities, environmental indemnities or other guarantees which could add risks and liabilities to the Funds. The Funds may also obtain recourse debt financing in select situations such as a completion guarantee for development projects. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. Additionally, use of leverage on any particular investment will increase the exposure of such investment to adverse economic factors such as rising interest rates, severe economic downturns or deterioration in the condition of the real estate investment or its market. In the event a real estate investment is unable to generate sufficient cash flow to meet its principal and interest payments on its indebtedness, the value of a Fund's equity investment in such real estate investment could be significantly reduced or even eliminated.

Financing Risks of Acquisition, Redevelopment and Development Activities: In order to acquire, redevelop and develop the investments, the Funds will need to obtain debt and additional equity financing. The failure to obtain necessary capital on favorable terms could have a material adverse effect on a Fund's ability to acquire, redevelop and develop the investments. Moreover, in the event that the cost of debt or equity financing for new acquisitions, redevelopment and development increases, the increased cost

of such financing may result in a lower margin of profit on the investments than initially contemplated. If market conditions deteriorate, the financial condition of the Funds may be materially adversely affected.

Rising Interest Rates: The Funds are permitted to and often incur variable rate indebtedness under credit facilities as a Fund acquires, redevelops and develops investments, as well as for other purposes. Accordingly, increases in interest rates would increase a Fund's interest costs (to the extent that the related indebtedness was not protected by interest rate protection arrangements), thereby, among other things, decreasing the amount of available funds for distribution to the limited partners. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the control of the Funds. The Funds may employ a hedging strategy at the portfolio level to limit the effects of changes in interest rates on its operations, including engaging in interest rate swaps, caps, floors and other interest rate exchange contracts. However, there is a cost associated with the use of these types of derivatives to hedge a Fund's assets and liabilities. Moreover, there is no perfect hedge for any investment, and a hedge may not perform its intended use of offsetting losses on an investment. With respect to certain potential hedge instruments, the Funds are exposed to the risk that the counterparties with which the Funds trade may cease making markets and quoting prices in such instruments, which may render the Funds unable to enter into an offsetting transaction with respect to an open position. Consequently, the profitability of the Funds may be adversely affected during any period as a result of changing interest rates.

Investments in Real Estate Debt Positions. The Funds are permitted to acquire on a selective basis sub-performing or non-performing debt interests and may acquire performing interests that become sub-performing or non-performing in the future. Some of these investments may be made with a goal of "loan-to-own." Investment in real estate debt generally carries with it many if not most of the risks associated with direct real estate investment. Notwithstanding that Taconic and, ultimately, the relevant Fund General Partner will be responsible for the oversight and management of each Fund's investments, the collateral for debt investments may be mismanaged or otherwise decline in value. There exists the risk that re-financing will not be available for assets serving as collateral for debt acquired by the Funds. Moreover, a General Partner may delegate the responsibility for the management and operation of some of a Fund's investments to a third party and therefore investments may be adversely affected. Further, investments operating under the close supervision of a mortgage lender are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of a Fund's original investment.

A Fund's investments may include interests in commercial mortgage loans. Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than mortgage loans on owner-occupied single-family residences. The ability of a borrower to repay a loan secured by commercial property typically depends primarily upon the successful operation and the operating income of that property (*i.e.*, the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain

the property, control operating expenses and comply with applicable zoning and other laws), rather than depending upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to the mortgaged property, and not against the borrower's other assets or personal guarantees.

There is a significant risk that the Funds may experience losses on its debt investments because of defaults by the applicable borrowers. The factors that may result in borrower defaults and losses on a Fund's investments include: (i) adverse changes in economic and real estate market conditions generally and in the sectors and geographic locations applicable to the specific investment; (ii) the terms and structure of the mortgage loans; and (iii) any specific limits on legal and financial recourse upon a default under the terms of the mortgage loans.

Conflicts of Interest

The offering documents for each Fund typically include a description of what Taconic believes to be the most significant conflicts of interest associated with an investment in a Fund. Some of these conflicts are summarized below; however, this summary does not attempt to describe all of the conflicts of interest associated with an investment in the Funds. Investors should carefully consider the conflicts of interest described herein and in a Fund's Governing Documents prior to investing in a Fund.

If any matter arises that Taconic determines in its good faith constitutes an actual conflict of interest, Taconic may take such actions as may be necessary or appropriate, within the context of any applicable Fund's Governing Documents, to mitigate or eliminate the conflict.

Tax Considerations. Each Fund's limited partners include persons or entities resident in various jurisdictions, including the United States and other countries, who may have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of individual limited partners may relate to or arise from, among other things, the nature of investments made by each Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. Such structuring of investments may result in different after-tax returns being realized by different limited partners and other limited partners. As a consequence, conflicts of interest may arise in connection with decisions made by Taconic that may be more beneficial for one limited partner than another limited partner, especially with respect to limited partners' individual tax situations. Taconic considers the investment and tax objectives of each Fund as a whole, and not the individual investment, tax or other objectives of any particular limited partner.

Investment Allocation. As of December 2018, the Taconic Funds are fully invested. Therefore Taconic does not currently face an issue with regard to how it allocates investment opportunities. Any joint venture investments that are made while a Fund is in its investment period are outside of the mandates of such Funds.

Other Activities of the Sponsor. Except as limited by the relevant Fund Governing Documents, a Fund's General Partner and its directors, members, partners, shareholders, officers, employees, agents and affiliates (collectively, the "Affiliated Parties") are permitted to conduct any other business, whether or not such business is in competition with the Funds. Without limiting the generality of the foregoing, any of the Affiliated Parties may act as investment adviser or investment manager for others, may manage funds, separate accounts or capital for others and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms (such other entities, "Affiliated Investment Vehicles"). Such Affiliated Investment Vehicles may have investment objectives or may implement investment strategies similar to or different from those of the Funds. There is no limit to the number of Affiliated Investment Vehicles that may be managed or advised by any of the Affiliated Parties.

In addition, the Affiliated Parties may, through other investments, including other Affiliated Investment Vehicles, have interests in the securities in which the Funds invest, as well as interests in investments in which the Funds do not invest, and in some cases the Affiliated Parties may engage in transactions directly with the Fund, provided that the Fund will not acquire assets from a General Partner and its affiliates without the consent of the relevant Fund advisory committee. The Affiliated Parties may also have investments in their own names and in certain of the entities managed by the Affiliated Parties. The Affiliated Parties may give advice or take action with respect to such other Affiliated Investment Vehicles that differs from the advice given with respect to the Funds. Furthermore, Taconic may determine, in its sole and absolute discretion, not to pursue certain transactions or potential investments on behalf of a Fund because of its other businesses or relationships between one or more Affiliated Parties and Affiliated Investment Vehicles.

Projections. Part of Taconic's reporting to limited partners and prospective limited partners involves projecting rates of return for investments. Projected operating results of an investment in which a Fund invests normally will be based on financial projections prepared by Taconic. Furthermore, the projected Fund returns prepared by Taconic are audited by independent audit firms. In all cases, projections are only estimates of future results that are based upon internal information as well as information received from third parties, and reasonable assumptions are made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections or that the information received from third parties is accurate. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

Fund and Investment Expenses. Taconic and its affiliates receive property management fees for both commercial and residential properties, construction and/or development fees, and leasing oversight fees from some of its investments. Such fees are in addition to any asset management fees or carried interest paid by the Funds to Taconic. Additionally, some provision of employee time is reimbursable by a Fund, according to the terms of each Fund's Governing Documents. The receipt of such fees may give rise to potential conflicts of interest.

Expense Allocations. Subject to any relevant restrictions or other limitations contained in the Governing Documents of each Fund, Taconic will allocate fees and expenses in a manner that it believes in good faith is fair and equitable under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Taconic can be faced with a variety of potential conflicts of interest. As a general matter, expenses incurred on behalf of multiple Funds will be allocated among such Funds. Whenever possible, the Firm requests that vendors invoice the appropriate Taconic entity and allocate any expenses according to services performed. The allocations of such expenses may not be proportional. A conflict of interest could arise in Taconic's determination whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of Fund operational expenses for which the Funds are responsible, or whether such expenses should be borne by Taconic. The Funds will be reliant on the determinations of Taconic in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by Taconic to be the most appropriate corrective measure.

Transactions with Fund Limited Partners. Taconic has entered enter into transactions with certain Fund limited partners such as, for example, limited partners who are also business partners, such as insurance agents, investment banks, broker-dealers, legal counsel, real estate or mortgage brokers or other consultants or professionals who provide services (including mezzanine and/or other lending arrangements) to the Firm, its Funds and investments. The terms of these transactions are negotiated on an arm's-length basis; however, Taconic is subject to a conflict of interest when determining such terms because Taconic may benefit from retaining such limited partners' investment in the Funds.

Industry Relationships. As with many other private fund sponsors, as part of Taconic's business, the principals, Taconic and its employees have developed relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders, real estate or mortgage brokers, consultants, joint venture partners, professional advisors (such as attorneys and accountants), co-investors, current and former directors, officers and employees of current and former portfolio investments and former employees and members of Taconic. Certain of these third parties will, on occasion: (i) introduce investment opportunities to Taconic; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio investments; (iii) introduce portfolio investment investments to potential acquisition candidates; (iv) facilitate the disposition of portfolio investments; or (v) provide investment banking, consulting, brokerage, legal or advisory services to Taconic, the Funds, or portfolio investments. Such third parties also on occasion provide goods or services to or have business, personal, political, financial or other relationships with the principals. In addition, such third parties are sometimes limited partners in one or more Funds; co-invest in one or more portfolio investment; or provide other significant business or investment services to Taconic, the Funds and/or their portfolio investments. These relationships have the potential to influence Taconic in deciding whether to select or recommend any such third party to perform services for the Funds or a portfolio investment. The cost of any services

provided by such third parties will generally be borne directly or indirectly by the Funds or its portfolio investments, as applicable.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

For information regarding the types of securities in which the Funds typically invest, please see Item 4.B and Item 8.A, above.

Item 9 – Disciplinary Information

If there are legal or disciplinary events that are material to a client’s or prospective client’s evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

We are required to disclose any legal or disciplinary events that are material to an investor’s or a prospective investor’s evaluation of Taconic’s investment advisory business or the integrity of our management. Taconic and its management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

Neither Taconic nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

Taconic has filed as an exempt commodity pool operator in response to certain CFTC rule amendments.

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a

material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. **Broker-dealer, municipal securities dealer, or government securities dealer or broker**
2. **Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**
3. **Other investment adviser or financial planner**
4. **Futures commission merchant, commodity pool operator, or commodity trading adviser**
5. **Banking or thrift institution**
6. **Accountant or accounting firm**
7. **Lawyer or law firm**
8. **Insurance company or agency**
9. **Pension consultant**
10. **Real estate broker or dealer**
11. **Sponsor or syndicator of limited partnerships**

Taconic does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, other investment adviser, financial planner, commodity pool operator, commodity trading advisor or futures commission merchant, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator or limited partnerships that are material to its advisory business, the Funds or its limited partners.

As described above in Item 4, Taconic is affiliated with both its relying adviser and the Fund’s General Partners. These entities operate as a single advisory business and are deemed registered with the SEC under the Advisers Act pursuant to Taconic’s registration in accordance with SEC guidance. Taconic, its relying adviser and General Partners share common owners, officers, partners, employees, consultants or persons occupying similar positions and the relying adviser and General Partners do not have employees of their own.

As mentioned above in Items 4 and 8, Taconic enters into transactions with various joint venture partners, some of whom may be other private investment funds, investment advisers or other entities. Generally, Taconic acts as a managing member for these joint venture investments but Taconic does not have discretion to make investment decisions without the consent of its joint venture partners. These joint venture partners make their own investment determinations with respect to their investments in these transactions. These joint venture investments invest in transactions that are outside of the specific mandates of the Funds as specified in each Fund’s Governing Documents, and thus Taconic does not believe a conflict of interest exists as to the management and investment with such joint venture partners.

Taconic has and will continue to maintain and develop relationships with professionals who provide services, including, among others: legal, accounting, banking, investment banking, tax preparation, insurance brokerage, real estate and mortgage brokerage, title insurance, architecture, engineering, environmental and other services. Some of these professionals provide services to the Funds or their investments. Additionally, some of these professionals are limited partners in the Funds.

Additionally, Taconic and its affiliates, including property management or leasing affiliates, will periodically sponsor incentive programs for unaffiliated third parties, primarily for real estate brokers and leasing agents. These programs are designed to incentivize the brokers and/or leasing agents to generate interest in obtaining tenants to occupy vacant space in properties owned by the Funds. The incentive programs are designed primarily to benefit the Funds by securing leases as quickly as possible to generate revenue at the properties owned by the Funds or to sell condominium units or other real estate investments on behalf of the Funds. The incentive programs often include items such as meals, gifts, gift cards, vacation accommodations, and other items. The incentive programs are paid for as part of the marketing budget for each property. Since these expenses are paid by the individual property, the Funds will indirectly bear the cost of these programs.

From time to time, Taconic receives training, information, promotional material, meals or gifts from vendors and others with whom it may do business or to whom it may make referrals. Similarly, Taconic employees have in the past, and expect to in the future, speak at conferences and programs for potential investors interested in investing in private that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction events, prospective investors have the opportunity to meet with Taconic. Neither Taconic nor any Fund compensates these investment bankers, broker-dealers or others for investments ultimately made by prospective investors attending such events other than registration, sponsorship, membership or other similar fees paid to attend such events.

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

Taconic does not recommend or select other investment advisers for the Funds.

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

A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC Rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.

In performing our obligations to Funds and limited partners, Taconic strives to conduct our business with the highest ethical standards and adheres to a strict policy of compliance with all applicable laws, regulations and compliance standards. As such, Taconic has adopted a written Code of Ethics in accordance with SEC Rule 204A-1 under the Advisers Act. Taconic's Code of Ethics governs the actions of our supervised persons and seeks to promote an ethical and compliance-oriented environment.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions and annual holdings reports that must be submitted by Taconic's supervised persons. In addition, the Code of Ethics also contains policies which address key areas such as standards of conduct, compliance with laws, rules and regulation and participation in outside business activities. The Code of Ethics also prohibits supervised persons from using any material non-public information Taconic may obtain in a personal or professional capacity.

A copy of our Code of Ethics is available to limited partners upon request from the Chief Compliance Officer, Scott Rabacs, at and SECinfo@tacon.com.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Participation or Interest in Client Transactions

Taconic and certain employees and affiliates of Taconic invest in and alongside the Funds, either through the General Partners, as direct limited partners in the Funds, or otherwise. Taconic and certain employees and affiliates are also permitted to invest directly into joint venture investments. A Fund or its General Partner, as applicable, will generally exempt such person from all or a portion of the management fee or other fees.

Taconic does not affect any principal or agency cross securities transactions for Fund accounts without the proper consent of the relevant General Partner or the relevant Fund advisory board, as applicable. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from, or sells any security to, any advisory client. A principal transaction may also be deemed to have occurred under certain circumstances if a security is crossed between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions can also arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. An adviser is not "acting as a broker" if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of

managing the assets) for effecting the transaction and therefore is not considered to be conducting an agency cross transaction under Section 206(3) of the Advisers Act.

In the event Taconic were to recommend a principal transaction or agency cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the limited partners or advisory board, as appropriate; (iv) if necessary, consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.

C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

The principals and employees of Taconic carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and give advice and recommend securities which may differ from advice given to, or securities recommended or bought for, the Funds, even if their investment objectives are the same or similar.

Taconic supervised persons are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding these securities or communicating material non-public information to others or from investing in competitive investments with third parties without notice to and approval by Taconic's Chief Compliance Officer. Personal securities transactions by supervised persons who manage Fund accounts are required to be conducted in a manner that prioritizes the Fund's interests in Fund eligible investments.

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Because of the nature of our real estate advisory services, Taconic does not face a situation where a supervised person buys or sells a security for his or her own account at or about the same time that the Firm is also buying or selling the same securities for a Fund or other investment. In the event this were to occur, the supervised person would be required to seek pre-approval from the Chief Compliance Officer for such transaction.

Item 12 – Brokerage Practices

A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Based on the nature of the investment strategies employed for the Funds, Taconic does not make use of securities broker-dealers in the traditional sense to buy and sell portfolio investments on behalf of the Funds. Rather, investment advisory services provided by Taconic are comprised solely of real estate advisory services for private real estate securities transactions through privately negotiated transactions (e.g., purchases, sales, leases, joint ventures or financings). In such privately negotiated transactions, Taconic or an affiliate will, on occasion, engage the services of a real estate broker for the purchase or sale of a property or a mortgage broker for the financing or refinancing of debt on a property. When considering retaining the services of such brokers, Taconic will consider such factors as the broker's industry expertise or experience, its reputation and its capability based on previous and pending transactions effected for Taconic and any of its affiliates and the broker's knowledge of or access to transactions Taconic desires to pursue. Although we generally seek competitive commission rates, we will not necessarily pay the lowest commission or commission equivalent.

i. Research and Other Soft Dollar Benefits.

Because of the nature of its real estate advisory services, Taconic does not receive research or other soft dollar benefits in connection with securities transactions for any client accounts.

ii. Brokerage for Client Referrals.

Taconic does not receive client referrals from a broker-dealer or third party in connection with considering, selecting or recommending broker-dealers.

iii. Directed Brokerage.

Taconic does not engage in directed brokerage.

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

In the event we were to aggregate the purchase or sale of securities for Fund or other accounts, we would do so on a pro rata basis.

Item 13 – Review of Accounts

A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

The investments of each Fund are private, illiquid and long-term in nature and accordingly our review of them is not directed toward a short-term decision to dispose of the investments. However, Taconic closely monitors its Funds' investments and maintains an active, ongoing oversight position in such investments. A team of investment professionals reviews each Fund's portfolios on an on-going basis. The team includes principals and other investment professionals of Taconic.

B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

The Chief Compliance Officer in conjunction with the compliance team would perform additional reviews in the event that an investment needed subsequent financing, in the event of a potential acquisition or liquidity event, or if there were a serious performance issue at an investment.

C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

Taconic generally provides to its limited partners (i) audited financial statements annually prepared in accordance with United States generally accepted accounting principles ("GAAP") as promulgated by the Financial Accounting Standards Board ("FASB"), accompanied by the report of the independent certified public accountant, within 90 days of its fiscal year end; (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) annual tax information necessary for each partner's U.S. tax returns (K-1), and (iv) descriptive investment information for each investment. Taconic also provides limited partners with a quarterly executive summary of the relevant Fund's performance, a market summary, and individual investment updates for material operational, capital expenditure and leasing events. Acquisition and disposition information is also included in these reports where applicable. All reports are delivered to limited partners in writing, either electronically, through Taconic's proprietary limited partner website, or via mail, as per each limited partner's stated preference. Additionally, upon request, certain limited partners may receive additional information and reporting that other limited partners may not receive.

Item 14 – Client Referrals and Other Compensation

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of

interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

On behalf of the Funds, Taconic receives fees as described in Item 5, above. With regard to the joint venture investments, Taconic receives fees to the extent provided in the relevant joint venture agreements.

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

To date, Taconic has not directly or indirectly compensated any person who is not a supervised person for client referrals and does not use third party marketers to assist in fundraising efforts.

Item 15 – Custody

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

We are deemed to have custody of the Funds' assets because of our affiliation with each Fund's General Partner and the General Partner's or an affiliates ability to deduct fees from Fund accounts. In order to comply with Advisers Act Rule 206(4)-2 (the "Custody Rule"), we have elected to undergo an annual GAAP financial audit by an independent public accountant registered with and subject to examination by the Public Company Accounting Oversight Board ("PCAOB") for each of the Funds over which we are deemed to have custody. The Funds are audited annually by Deloitte and Touche LLP or KPMG LLP and we deliver to the Funds and their respective limited partners a copy of the annual audited financial statements within 120 days of our fiscal year end in accordance with the Custody Rule (however, according to our Fund Governing Documents, we are required to deliver audited financial statements to Fund limited partners within 90 days of our fiscal year end). Limited partners are encouraged to carefully review such financial statements.

With regard to the joint venture investments, Taconic abides by the custody provisions as established in the relevant partnership agreements.

We do not, however, accept physical custody of any Fund assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly sent or wired into the relevant Fund's qualified custodial account. Taconic receives monthly statements from each of the qualified custodians on behalf of the Funds. For more information about Taconic's qualified custodians, please see our Form ADV Part 1, Schedule D, Section 7.B.(1).

Item 16 – Investment Discretion

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

Through execution of each Fund's Governing Documents, Taconic is granted discretionary authority by its limited partners for the management and conduct of the affairs of the Funds for which we provide investment advisory services. The terms upon which we serve as an investment manager are established at the time each limited partner subscribes to an interest in a Fund. Investment advice is provided directly to the Funds and not to limited partners in the Fund individually. We are responsible for and have the authority based on the Funds' Governing Documents to identify, acquire, operate, manage, finance and sell investments. Other responsibilities include, but are not limited to, determining investment strategy, conducting research, portfolio management, asset management, property management, leasing supervision, construction and development oversight, administration and financial accounting. With regards to the joint venture investments, while we manage the day to day affairs of the joint venture investments, we do not have similar discretionary authority with regards to these investments.

To become a limited partner in a Fund, a limited partner must execute a subscription agreement which includes a power of attorney applicable to the execution of a limited partnership agreement with such Fund. We are not permitted to transact any business with a limited partner until the limited partner executes the subscription agreement. Once a limited partner executes these documents, with limited exceptions, such as certain conflicts of interest as discussed elsewhere in this brochure, we are not required to contact a limited partner prior to transacting business in that Fund. Approval is required, however, for investment decisions with regard to the joint venture investments.

A limited partner can seek to impose limitations on our authority through a side letter agreement and we can choose to accept reasonable limitations or restrictions at our discretion. All limitations and restrictions placed by a limited partner must be presented to us in writing and agreed to by us and such limited partner.

Item 17 – Voting Client Securities

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to Rule 206(4)-6 promulgated under the Advisers Act. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients

may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

Taconic provides investment advisory services with respect solely to real estate and real estate related investments and accordingly does not vote proxies on behalf of its Funds. Rather, Taconic votes on behalf of its Funds with respect to decisions and actions undertaken by underlying ventures subject to the terms and restrictions of the partnership agreements entered into with third-party joint-venture partners at arm's length. A copy of policies and procedures related to such voting is available to limited partners upon request at (212) 220-9945.

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

This Item is not applicable to Taconic.

Item 18 – Financial Information

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

We do not require or solicit payment of fees in excess of \$1,200 per Fund more than six months in advance of services rendered. As such, we are not required to include a financial statement.

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

We do not require or solicit payment of fees in excess of \$1,200 per Fund more than six months in advance of services rendered and do not have any financial condition to disclose that is reasonably likely to impair our ability to meet contractual commitments to the Funds or their limited partners.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

Taconic has not been the subject of a bankruptcy petition at any time during the past ten years.