

Taconic Capital Advisors L.P.

Part 2A of Form ADV

The Brochure

280 Park Avenue, 5th Floor
New York, NY 10017

(212) 209-3100

or

FundInvestments@taconiccap.com

www.taconiccap.com

March 29, 2024

This brochure provides information about the qualifications and business practices of Taconic Capital Advisors L.P. (“Taconic”). If you have any questions about the contents of this brochure, please contact us at (212) 209-3100 or FundInvestments@taconiccap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Taconic is a registered investment adviser, but such designation does not imply a certain level of skill or training.

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

Item 2 - Material Changes

This brochure, dated March 29, 2024, serves as an update to our brochure dated January 2, 2024. The Material Changes section of this brochure will be updated when material changes occur since the previous release of the brochure. The last update was January 2, 2024. This brochure contains routine annual updates to the prior brochure, as well as certain other updates, including those regarding new private investment funds managed by the firm. Because this Item 2 discusses only those changes to this brochure that have been made since the prior brochure, this document should be reviewed in its entirety.

Item 3 – Table of Contents

Item 1 - Cover Page.....	1
Item 2 - Material Changes.....	2
Item 3 - Table of Contents.....	3
Item 4 - Advisory Business	4
Item 5 - Fees and Compensation.....	7
Item 6 - Performance-Based Allocation and Side-By-Side Management	12
Item 7 - Types of Clients.....	13
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	14
Item 9 - Disciplinary Information.....	39
Item 10 - Other Financial Industry Activities and Affiliations.....	40
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...	41
Item 12 - Brokerage Practices.....	43
Item 13 - Review of Accounts.....	46
Item 14 - Client Referrals and Other Compensation.....	46
Item 15 - Custody	46
Item 16 - Investment Discretion.....	48
Item 17 - Voting Client Securities.....	48
Item 18 - Financial Information	48

Item 4 - Advisory Business

Taconic provides investment advice on a discretionary basis to onshore and offshore private investment funds (each, a “Fund,” and, together, the “Funds”) that are offered to high net worth, financially sophisticated, individual and institutional investors that may include banks or thrift institutions, investment companies, pension and profit sharing plans, government plans, trusts, estates or other business entities. As of December 31, 2023, Taconic managed approximately \$8.75 billion in regulatory assets under management (as defined in Form ADV Part 1). Taconic does not manage any client assets on a non-discretionary basis. Taconic focuses on event investing, or investing in securities and instruments of companies undergoing extraordinary events that are expected to affect the value of an investment asset. Taconic manages Hedge Funds (including the Opportunity Funds as defined below). The Opportunity Funds currently invest in mergers and acquisitions, corporate restructurings and spin-offs, credit investments and/or capital structure arbitrage, as well as special situations. In addition, Taconic manages a number of Closed-End Funds (including the ECDF II Funds, ECDF III Funds, MDF III Funds, the TCRED Funds, TCRED II Funds, TCRED III Funds and CDF IV Funds as defined below) designed to capitalize on specific investment opportunities, and expects to continue to offer additional Closed-End Funds in the future.

In 1999, Kenneth D. Brody and Frank P. Brosens, along with a financial investor, launched Taconic and formed the first of Taconic’s event-driven funds (the “Event-Driven Funds”) to invest a substantial portion of their assets and to give third-party investors the opportunity to invest alongside them. Effective on or about January 1, 2024, the Event-Driven Funds have consolidated operations with the Opportunity Funds and no longer operate independently.

In 2004, Taconic launched the first of Taconic’s opportunity funds (the “Opportunity Funds”). The Opportunity Funds are:

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

In October 2017, Taconic launched the Taconic European Credit Dislocation II Funds (“the ECDF II Funds”) in an attempt to capitalize on investment opportunities arising primarily in Europe. The investment period for the ECDF II Funds ended in October 2020. The ECDF II Funds are:

- Taconic European Credit Dislocation Fund II L.P., a Delaware limited partnership, and Taconic European Credit Dislocation Offshore II Fund L.P., a Cayman Islands exempted limited partnership registered under the ELP Law, both of which invest using a master-feeder structure through Taconic European Credit Dislocation Master Fund II L.P. (the “ECDF Master Fund”), an exempted limited partnership registered under the ELP Law.

In December 2020, Taconic launched the Taconic European Credit Dislocation III Funds (“the ECDF III Funds”) in an attempt to capitalize on investment opportunities arising primarily in Europe. The ECDF III Funds are:

- Taconic European Credit Dislocation Fund III L.P., a Delaware limited partnership, and Taconic European Credit Dislocation Offshore III Fund L.P., a Cayman Islands exempted limited partnership registered under the ELP Law, both of which invest using a master-feeder structure through Taconic European Credit Dislocation Master Fund III L.P. (the “ECDF Master Fund III”), an exempted limited partnership registered under the ELP Law.

In March 2016, Taconic launched the Taconic CRE Dislocation Funds (the “TCRED Funds”), in attempt to capitalize on commercial real estate investment opportunities that Taconic has created through its prior acquisition of commercial mortgage-backed securities and other opportunities that arise from Taconic’s involvement in the space. The TCRED Funds are no longer open to new investments, and are currently being wound down following the end of their harvest period in July 2022. The TCRED Funds are:

- Taconic CRE Dislocation Fund L.P., a Delaware limited partnership, and Taconic CRE Dislocation Onshore Fund L.P., a Delaware limited partnership.

In July 2018, Taconic launched the Taconic CRE Dislocation II Funds (the “TCRED II Funds”), in attempt to capitalize on commercial real estate investment opportunities that Taconic has created through its prior acquisition of commercial mortgage-backed securities and other opportunities that arise from Taconic’s involvement in the space. The TCRED II Funds are no longer open to new investments, and the investment period for the TCRED II Funds ended in April 2021. The TCRED II Funds are:

- Taconic CRE Dislocation Fund II L.P., a Delaware limited partnership, and Taconic CRE Dislocation Onshore Fund II L.P., a Delaware limited partnership.

In April 2021, Taconic launched the Taconic CRE Dislocation Onshore Fund III L.P., a Delaware limited partnership (the “TCRED III Fund”), in an attempt to capitalize on commercial real estate investment opportunities that are emerging, in Taconic’s belief, due to the impact of the COVID-19 pandemic. The TCRED III Fund is no longer open to new investments, and the investment

period for the TCRED III Fund is scheduled to end in April 2024. Taconic CRE Dislocation III Overflow Fund L.P. (the “Overflow Fund”) was launched in April 2022 in order to co-invest with TCRED III.

In July 2020, Taconic launched the Taconic Market Dislocation III Funds (the “TMDF III Funds”), in attempt to capitalize on investment opportunities in less liquid, complex situations created by the ongoing dislocation in markets. The TMDF III Funds are no longer open to new investment, and the investment period for the TMDF III Funds will end in March 2023. The TMDF III Funds are:

- Taconic Market Dislocation Onshore Fund III L.P., a Delaware limited partnership and Taconic Market Dislocation Fund III (Cayman), L.P., a Cayman Islands exempted limited partnership, both of which invest using a master-feeder structure through Taconic Market Dislocation Master Fund III (Cayman) L.P. (the “TMDF Master Fund III”), an exempted limited partnership registered under the ELP Law, and Taconic Market Dislocation Fund III AIV I (Cayman) L.P., an exempted limited partnership registered under the ELP Law.

In May 2023, Taconic launched the Taconic Credit Dislocation Funds (the “CDF IV Funds”), in an attempt to capitalize on corporate and structured credit opportunities. The CDF IV Funds are:

- Taconic Credit Dislocation Fund IV L.P., a Delaware limited partnership and Taconic Credit Dislocation Offshore Fund IV L.P., a Cayman Islands exempted limited partnership, both of which invest using a master-feeder structure through Taconic Credit Dislocation Master Fund IV L.P. (the “CDF Master Fund IV”), an exempted limited partnership registered under the ELP Law. Taconic Credit Dislocation Fund IV L.P and Taconic Credit Dislocation Offshore Fund IV L.P also invest through a number of subsidiaries.

In December 2020, Taconic launched TP Fund L.P., a Cayman Islands exempted limited partnership (the “TP Fund”) as a single-investor vehicle formed for the purpose of investing in the Opportunity Fund, the ECDF III Funds and the MDF III Funds, as well as future additional Closed-End Funds managed by Taconic (including the CDF IV Funds). Taconic does not earn a management fee or performance fee directly with respect to the TP Fund; however, the TP Fund’s investments in the other Taconic funds do bear the management fees and performance allocations applicable to such investments.

Taconic intends to launch the Taconic Merger Arbitrage Funds (the “Merger Funds”) in April 2024 in an attempt to capitalize on merger arbitrage investment opportunities. The Merger Funds will be structured as Hedge Funds and consist of:

- Taconic Merger Arbitrage Fund L.P., a Delaware limited partnership, and Taconic Merger Arbitrage Offshore Fund Ltd., a Cayman Islands exempted limited partnership registered under the ELP Law, both of which invest using a master-feeder structure through Taconic Merger Arbitrage Master Fund L.P., an exempted limited partnership registered under the ELP Law.

Taconic manages each Fund in accordance with the Fund’s investment objective. Taconic does not (except as may be required by applicable law) tailor its management to the individual needs of any investor in a Fund. Taconic is structured so that no principal has permanent equity ownership of the firm, but rather its current thirteen (including sunset principals) principals share in the profits of the firm.

Item 5 - Fees and Compensation

With respect to each Fund, Taconic receives management fee and performance compensation, as described below. Taconic complies with Rule 205-3 of the Advisers Act, to the extent required by applicable law. Information regarding the management fees and carried interest distributions applicable to each Fund is set forth in the applicable offering and governing documents of such Funds. Investors should review carefully the specific terms set forth in the relevant Fund’s government documents.

Management Fees

With respect to the Hedge Funds, Taconic is generally paid a management fee that ranges from 0.75% to 1.5% per annum of the aggregate net asset value of each investor’s capital account or series of shares, as applicable, and the management fee is generally adjusted pro rata for any subscriptions, transfers, redemptions or withdrawals for each month. With respect to the Closed-End Funds, Taconic is generally paid a management fee of 0.75% to 2% per annum of called capital invested (at cost), net invested capital (*i.e.*, called capital in respect of investments that have not been disposed of, adjusted for distributions of principal relating to distributions of investments and permanent write-downs or write offs), total assets under management or net asset value. Management fees are generally paid monthly and semi-annually in arrears for the Hedge Funds and Closed-End Funds, respectively.

Performance Fees

With respect to the Hedge Funds, Taconic is generally allocated or paid an annual performance-based allocation or fee of 20% of the net gain earned by each investor subject to a high water mark and, in certain cases, a hurdle rate. With respect to the Closed-End Funds, Taconic is generally allocated or paid a performance-based carried interest allocation or fee of 15% to 20% of the net profits of the applicable Fund subject to a preferred return, catch-up distributions, and/or other performance hurdles as more fully described in the governing documents of each Fund.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Funds' governing document, over the term of the relevant Fund and, except with respect to the Hedge Funds, investors generally are not permitted to withdraw or redeem interest in the Funds.

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

Other Fees and Fee Reductions

With respect to the Hedge Funds, if Taconic earns a performance allocation in a given year, Taconic deducts that fee from a fee-paying investor's account as of the last day of the year, or earlier with respect to a portion of an investment that has been withdrawn. Taconic's Closed-End Funds typically charge a carried interest (rather than an annual performance allocation) that is only paid to Taconic upon distribution of realized investment proceeds, typically subject to a giveback at the end of the applicable Fund's harvest period. Taconic may waive fees in its discretion, and does so for affiliates, principals and employees. In addition, Taconic has entered into side letters with certain investors in the Opportunity Funds whereby it has reduced the management fee and/or allocation rate for each lock-up option so long as the investor (individually or together with certain related investors) maintains managed assets invested in the Opportunity Funds of at least \$150 million, as applicable (and is willing to grant similar terms to any other investor at that asset level). Certain investors in the Closed-End Funds have negotiated, and may continue to negotiate, management fee and carried interest discounts based on size or other factors. The investment management agreements between the Funds and Taconic have not been negotiated at arms' length.

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

Taconic has entered and may continue to enter into side letters with investors. Taconic only grants preferential liquidity terms on a limited basis, where an investor is subject to a legal or regulatory requirement that might prohibit the investor from legally continuing to hold an investment in the Fund in the future. In addition, Taconic has entered into side letters with government, state and

other sovereign entities which may not by law be permitted to agree to certain terms contained within the Fund's documents. Otherwise, side letter terms are generally only granted where Taconic would be comfortable giving the same term to all similarly situated investors. Except as described above, Taconic only agrees to a side letter term where no other investors will be harmed by such term and where no investor who holds investments in the Taconic Funds (via one or more accounts) will be given preferential treatment over any other investor whose investment is equal to or greater than the investor given such treatment and reserves the right to reject any requested term.

Additional Expenses Borne by the Funds

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

- Transaction cost-related expenses incurred with its investment and trading activities (including in respect of unconsummated investments), including brokerage, mark ups and mark downs, clearing expenses, margin interest expenses, expenses related to the formation and maintenance of investment subsidiaries (including without limitation salary, office space, utilities, telephone, computer equipment and service expenses to the extent required or advisable under the laws of the jurisdiction in which such subsidiary is established), currency hedging and custodial expenses;
- Research and due diligence expenses of Taconic, its affiliates and third-party consultants, in relation to the Fund's investment activities and strategies, including research and due diligence or analyses related to proposed or existing investments (including expenses for transactions that are not consummated) which are discussed in more detail below;
- Information-related expenses (including third-party licensing fees, data feeds (including expenses incurred in connection with data services providing market data, price feeds, news feeds, investment information and company fundamental data), market research (including expenses incurred in connection with information services providing market research, price evaluation, news feeds, investment information and company fundamental data), and other costs, fees and expenses for other third-party research, news, industry information, analytics and research resources);
- Expenses incurred in the course of voting securities owned by the Funds and participating in any class-action litigation, including, but not limited to, the costs of any consultants or other outside vendors retained to assist with such proxy voting or the filing of class-action notices on behalf of the Funds;
- Fees and expenses of professionals retained by Taconic to advise it in connection with such Fund's investment activities, including legal, accounting, and fund administrator;

- Auditing and tax preparation expenses;
- Insurance costs; and
- Other expenses (including, without limitation, expenses related to particular portfolio positions or strategies) and extraordinary fees and expenses arising in connection with the conduct of the Fund's activities, including litigation expenses and any other expenses not arising in the ordinary course of business.

In addition, certain Funds (including the ECDF II Funds, the ECDF III Funds, the MDF III Funds, the TCRED II Funds, TCRED III Funds, Merger Funds and CDF IV Funds) bear their organizational costs, typically up to a cap as set forth in that Fund's Confidential Private Offering Memorandum and travel expenses related to due diligence or analyses of proposed or existing investments (including expenses for transactions that are not consummated).

Fund expenses generated in the course of evaluating and making investments (including proposed investments that are not ultimately consummated) are allocated among the Funds(s) for which the investment is being considered by Taconic in its good faith discretion and in accordance with the relevant Fund's governing documents and the Trade Allocation Procedures set forth in Taconic's Compliance Manual where applicable. Fees and expenses incurred in connection with investment opportunities are generally allocated in the same way Taconic has allocated that particular investment opportunity among the Funds or on a pro rata basis. To the extent fees and expenses are incurred solely in connection with the offer for sale of an investment by one Taconic Fund to another Taconic Fund, such fees and expenses shall be allocated solely to the purchaser or prospective purchaser of such investment. For the avoidance of doubt, to the extent fees or expenses would have been incurred by a Taconic Fund in connection with an investment that is sold (or proposed to be sold) to another Taconic Fund even in the absence of such a sale (or proposed sale), such fees and expenses will be allocated as set forth in the first two sentences of this paragraph.

Routine operational and administrative expenses incurred by Taconic in the operation of its businesses (*e.g.*, salaries, office space, utilities, telephone and computer equipment and services) are generally borne by Taconic, except to the limited extent described above. For more information about expenses borne by a Fund and about Taconic's expense allocation process, please see that Fund's governing documents and Taconic's Expense Allocation Policy, which describes expenses in greater detail. Fund investors may obtain a copy of Taconic's Expense Allocation Policy upon request.

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

With respect to certain Closed-End Funds, to the extent Taconic determines to self-operate any of such Fund's real estate assets rather than engage a third-party operating partner, Taconic will charge the applicable Fund an Asset Servicing Fee in connection with the accounting, tax, legal, administration and operational support and services provided by Taconic in respect of such assets. In these cases, the relevant Funds that hold such CRE assets will pay an Asset Servicing Fee, which is described in greater detail in the relevant Fund's offering memorandum.

The Asset Servicing Fee is in addition to the management fee and fund expenses already payable by the relevant Funds. Taconic has an apparent conflict of interest in the selection of itself to operate and service certain of the Funds' real estate assets as opposed to selecting a third party to perform such services as Taconic earns additional compensation, in the form of the Asset Servicing Fee, for such services. Although Taconic will endeavor to self-operate and self-service the Funds' real estate assets in instances where Taconic believes that performing such services in-house will be beneficial to the Funds and will be reasonably comparable to fees that would otherwise be chargeable by a third party, there is no guarantee that a third party would not be able to provide such services at a lower rate, or perform such services better than Taconic.

Layering of Fees

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

To the extent Taconic gives an unaffiliated investment manager discretionary authority over a specific portion of a Fund's assets pursuant to a sub-advisory arrangement, Taconic will pay any management fee or performance fee due to such sub-adviser out of the management fee Taconic receives from that Fund. If Taconic changes this policy, Taconic will give prompt notice to Fund investors. In other situations, however, Taconic will determine whether such fees shall be deducted from its management fee or charged to the Fund as an additional fee. As a general rule, Taconic does not favor the layering of fees when investing in actively managed pooled vehicles. However, Taconic has determined that when it is in the best interest of the Funds to engage third-party managers to manage real estate related investment, such fees do not reduce Taconic's management fee or performance allocation due to the unique circumstances and oversight required for such investments as further described below. In addition, there may be other occasions or situations, where the Investment Managers may make a determination that such layering is appropriate. For example, Taconic may invest in certain opportunities where the investment thesis is based not only on the skills of an underlying manager, but also on such manager's ability to access a difficult market, and where the investment trades in a recognized public or private market.

In such cases, Taconic may determine that it is appropriate for the affected Funds to bear the relevant performance-based or fixed asset-based fees.

In addition, from time to time, the Funds, in connection with a joint venture or co-investment with a third party, enter into guaranty arrangements on behalf of the joint venture or co-investment vehicle. Such guaranties may or may not be supported by back-to-back guaranties with the Funds' joint venture partners or co-investors. The Funds will only enter into such arrangements where the Taconic determines, in its sole discretion, that doing so is in the best interests of the Funds; however, if a Fund required to fulfill its obligations under such guaranty, its liabilities may exceed its proportionate share of such investment, and the Fund may be unable to recover from its joint venture partners or co-investors all or a portion of their proportionate obligations under such guaranty (if any).

Notwithstanding the foregoing, the Investment Manager has entered into, and may in the future enter into, additional relationships with property management agencies, real estate operating partners and similar firms, which may provide sourcing, management and other services with respect to the investment opportunities targeted by certain Funds. These Funds may be subject to various costs (directly or indirectly) relating to such relationships, including performance-based or fixed asset-based fees, and certain of Taconic's real estate operating partners may co-invest in the related investment opportunity. To the extent Taconic determines to self-operate any of the Fund's real estate assets rather than engage a third-party operating partner or agent, Taconic will charge the relevant Funds an Asset Servicing Fee in connection with the accounting, tax, legal, administration and operational support and services provided by Taconic in respect of such assets. The Asset Servicing Fee is in addition to the management fee and fund expenses already payable by the relevant Funds.

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

As stated above, Taconic is entitled to earn performance-based compensation with respect to certain Funds. Taconic enters into Performance Allocation arrangements with clients as outlined in Item 5. The potential Performance Allocations available to Taconic in connection with a particular Fund may be higher than those available to Taconic in connection with another Fund, whether in percentage or absolute dollar amounts. Taconic may have an incentive to devote more research and other activities, and/or allocate favorable investment opportunities, to such Funds with a higher fee structure. In addition, a Performance Allocation may give Taconic an incentive to cause a Fund to make investments that are riskier or more speculative than would be the case if it were compensated solely based on a flat percentage of capital or net asset value. This presents a conflict between Taconic and its clients, but Taconic manages all client portfolios in a way that adheres to the fiduciary duty it owes to such clients. Taconic allocates resources fairly among clients and has implemented a trade aggregation and allocation policy that requires all accounts to be treated fairly and equitably over time with respect to the allocation of trades. The Compliance

Department reviews trade allocations regularly for any deviation from this policy of equitable trade allocations.

Performance Allocations are generally not the product of an arm's length negotiation with any third party, and because the Performance Allocations with respect to Taconic's Hedge Funds are calculated on a basis that includes unrealized appreciation of a Fund's assets (other than with respect to Side Pocket Investments, except in the event of a deemed liquidation or permanent impairment), such compensation may be greater than if it were based solely on realized gains.

Taconic and each Portfolio Manager will devote such time to each Fund as is reasonably required to effectively manage that Fund's investment activities. However, Taconic is presently committed to, and expects to be committed in the future to, providing investment advisory services for multiple clients (including the other Funds) and engage in other business ventures in which one or more Funds have no interest, which may charge higher management fees and/or performance-based fees than those charged by a Fund. Taconic's principals and employees may have investments in certain Funds but not others (or may have greater investments in some Funds than in others) and may therefore have incentive to favor such Funds over other Funds. As a result of these separate business activities, Taconic may have conflicts of interest in allocating management time, services and functions among the Funds and other business ventures or clients.

Item 7 - Types of Clients

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

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

Fund. The Funds are privately offered in reliance upon exemptions from the registration requirements of the Securities Act of 1933; accordingly, investment in the Funds is not open to the general public.

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

Hedge Funds

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

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

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

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

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

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

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

Closed-End Funds

Taconic manages a number of Closed-End Funds with either single or multiple strategies that involve investing in real estate, corporate securities, structured products, private investments, equity and/or debt. Each Closed-End Fund is described in Item 4 above and in further detail in the applicable Fund's governing documents.

Risk of Loss

An investment in any Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. Further, event investing generally involves relatively small profits on a large number of investments and relatively large losses when an event goes wrong, either because the anticipated event does not happen or the terms are adversely changed. Taconic analyzes and makes judgments regarding the probability of events including:

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

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

- the price expected to be realized;
- the time to completion;

- the probability of success; and
- the loss if the investment is unsuccessful.

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

In addition, the Funds are subject to the risks inherent in the wide range of opportunities in which they may invest. These generally include the risks below; however, investors should review each Fund's Confidential Private Offering Memorandum for a complete description of risks applicable to such Fund.

Equity Risk

The market price of securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. The values of equity securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. In addition, securities that Taconic believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Funds anticipate. As a result, a Fund may lose all or substantially all of its investment in any particular instance.

Fixed-Income Securities

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

In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

Distressed Investments

Investment in the securities and other instruments of issuers in weak financial condition (perhaps having a negative net worth), experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems or involved in various states of bankruptcy or organization proceedings involves a high degree of credit and market risk. Securities and other instruments of such issuers are typically more volatile and less liquid than securities or instruments of companies not experiencing such difficulties. Additionally, among the risks inherent in investments in financially troubled issuers is the fact that it is frequently difficult to obtain reliable information as to their true financial prospects. The market prices of distressed securities are subject to abrupt and erratic market movements and excessive price volatility, and the “bid-ask” spreads for such securities may be greater than normally expected.

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

Inflation Risk

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Funds can decline. Inflation and rapid fluctuations in inflation rates, as is currently occurring in the United States, have had in the past, and may in the future have, negative effects on economies and financial markets. Wage and price controls have been imposed at times in certain countries in an attempt to control inflation, which could significantly affect the operation of the issuers of securities or other investments in which the Funds invest. Governmental efforts to curb inflation often have negative effects on the level of economic activity. As such, inflation and rapid fluctuations in inflation rates can adversely affect the financial performance of the Funds. In addition, the market value of the Funds’ investments may decline in times of higher inflation rates given that commonly used methodologies for valuing investments (e.g., discounted cash flow analysis) are sensitive to rising inflation and real interest rates. There can be no assurance that inflation will not continue to be a serious problem and have an adverse impact on the performance of the Funds and its investments. Were significant inflation to continue, the effect on the Investment Manager’s strategy could be materially adverse.

Private Debt Transactions

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

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

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

Short Sales

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

Derivatives in General; Hedging

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

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the investments hedged; (ii) imperfect correlation between movements in the investments the on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited. Finally, Taconic may decide not to hedge against, or may not anticipate, certain risks and the Funds will remain exposed to certain risks that cannot be hedged in some instances.

Swaps and Other Derivatives

The Funds may enter into swap and similar derivative transactions involving or relating to interest rates, credit risks, non-U.S. currencies, commodities, securities, investment fund interests, indices, prices or other items. A bilateral swap transaction is an individually negotiated, non-standardized agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, commodity prices, exchange rates, indices or prices, with payments generally calculated by reference to a principal ("notional") amount or quantity. Bilateral swap contracts and similar derivative contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. As a result, the Funds are subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Funds trade. Speculative position limits are not currently applicable to swap transactions, although the counterparties with which the Funds deal may limit the size or duration of positions available to the Funds as a consequence of credit considerations.

Position limits imposed by various regulators may also limit the Funds' ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. For example, the

CFTC has interpreted Dodd-Frank to require the CFTC to impose limits on the size of positions that can be held by market participants in futures contracts and OTC derivatives on certain physical commodities. The final position limits rules, which the CFTC adopted in October 2020, became effective in March 2021 and are in the process of being phased in. While the ultimate effect of the CFTC's final position limit rules are not yet known, these limits will likely restrict the ability of many market participants, including the Funds, to trade in the commodities markets to the same extent as they have in the past, including affecting their ability to enter into or maintain hedge positions in the applicable commodity or futures contracts. These rules and various other legislative and regulatory requirements may, among other things, reduce liquidity, increase market volatility, and increase costs in these markets. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Funds do not intend to exceed applicable position limits, it is possible that different accounts managed by the Investment Manager may be aggregated. To the extent that the Fund's position limits were collapsed with an affiliate's position limits, the effect on the Fund and resulting restriction on its investment activities may be significant. If at any time positions managed by the Investment Manager were to exceed applicable position limits, the Investment Manager would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Funds might have to forego or modify certain of its contemplated trades.

Regulation of Over-the-Counter Transactions

Under Title VII of Dodd-Frank a substantial portion of over-the-counter ("OTC") derivatives are required be executed in regulated markets and submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as margin requirements mandated by the CFTC, the Securities and Exchange Commission (the "SEC") and/or federal prudential regulators. The CFTC has also imposed margin requirements on non-cleared OTC derivatives and new requirements that apply to the holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral the Funds are required to provide and the costs associated with providing it. OTC derivatives dealers are also required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as was widely permitted before Dodd-Frank. These requirements have increased and will continue to increase the OTC derivatives dealers' costs, and these increased costs are generally passed through to other market participants (such as the Fund) in the form of higher upfront and mark-to-market margin, less favorable trade pricing and the imposition of new or increased fees, including clearing account maintenance fees.

The CFTC requires certain derivative transactions that were previously executed on a bi-lateral basis in the OTC markets to be executed through a regulated futures or swap exchange or execution facility. The SEC is also expected to impose similar requirements on certain security-based

derivatives in the near future, though it is not yet clear when these parallel SEC requirements will go into effect. Such requirements may make it more difficult and costly for investment funds, including the Funds, to enter into highly tailored or customized transactions. They may also render certain strategies in which the Funds might otherwise engage impossible or so costly that they will no longer be economical to implement. If the Funds decide to execute derivatives transactions through such exchanges or execution facilities — and especially if it decides to become a direct member of one or more of these exchanges or execution facilities — the Fund would be subject to the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential additional regulatory requirements under applicable regulations and under rules of the relevant exchange or execution facility.

OTC are now required to register with the CFTC and the SEC. Registered swap dealers are subject to minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for OTC derivatives dealers, which costs may be passed along to market participants. Additional regulation of the OTC derivatives markets, whether as a result of expanded CFTC and/or SEC mandated clearing and execution requirements, increased initial margin requirements or overlapping, regulatory requirements imposed by non-US regulators, may make OTC derivatives more costly, may limit the availability of certain derivatives transactions or may otherwise adversely affect the value or performance of certain derivatives.

Under Dodd-Frank, a substantial portion of OTC derivatives are required to be cleared through central clearing counterparties providing central clearing of OTC derivatives, as contemplated in Dodd-Frank (each, a “CCP”). The use of CCPs may reduce certain risks in the OTC derivatives markets but does not eliminate all risks of loss. Dodd-Frank has created a fragmented CCP clearing mechanism. In connection with future regulations, CCPs may be permitted to clear more risky and less-liquid OTC derivatives. Notwithstanding the financial safeguard systems that the CCPs are required to implement, in the event of a market crisis, if a CCP’s financial resources and safeguards are inadequate to resolve one or more clearing member defaults or insolvencies, it is possible that a CCP may itself become insolvent, thus posing a systemic risk to the financial system and a risk of loss to the Funds on its OTC derivatives that are cleared through such CCP.

Certain of the derivatives that may be traded by the Fund may remain principal-to-principal or OTC contracts between the Fund and third parties entered into privately. The risk of counterparty nonperformance can be significant in the case of these over-the-counter instruments, and “bid-ask” spreads may be unusually wide in these heretofore substantially unregulated markets. To the extent not mitigated by Dodd-Frank, if at all, the risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the Fund’s assets, include: (i) credit risks (the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset or commodity); (iii) legal risks (the characterization of a transaction or a party’s legal capacity to enter into it could

render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (iv) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Although most provisions of Dodd-Frank have now been implemented, certain provisions require additional rulemaking by applicable regulators before becoming fully effective. Accordingly, it is difficult to predict the ultimate impact of Dodd-Frank on the Fund, and the Investment Manager and the markets in which the Fund trades and invests or the counterparties with which they do business. Dodd-Frank could result in certain investment strategies in which the Fund engages or may have otherwise engaged becoming non-viable or non-economic to implement. Dodd-Frank and regulations adopted pursuant to Dodd-Frank may materially adversely affect the Fund's ability to continue to implement its investment strategy and achieve its investment objectives.

Investment in Small Companies

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

Non-U.S. Investments

The Funds generally make non-U.S. investments, including those of emerging and frontier markets. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, abandonment of a common currency, withdrawal of one or more countries from a common currency, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments or capital gains, the need for approval by government or other authorities to make investments, governmental corruption and lack of transparency and possible difficulty in obtaining and

enforcing judgments against non-U.S. entities and other factors beyond the control of the Funds. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which the Funds may invest have substantially less volume than those in the United States, and securities of certain companies in non-U.S. countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, non-U.S. markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. These risks are heightened in emerging and frontier markets.

Reliance on Corporate Management and Financial Reporting

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

Options

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

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

Futures and Options on Futures Contracts

In entering into futures contracts and options on futures contracts, there is a credit risk that counterparty will not be able to meet its obligations. The counterparty for futures contracts and options on futures contracts traded in the United States and on most foreign futures exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the

corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members (*i.e.*, some foreign exchanges), it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing member or clearing house will be able to meet its obligations.

In addition, under the Commodity Exchange Act, futures commission merchants are required to maintain customers' assets on a segregated basis. If a Fund engages in futures and options contract trading and the futures commission merchants with whom that Fund maintains accounts fail to so segregate that Fund's assets or are not required to do so, the Fund will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. Even where customers' funds are properly segregated, a Fund might be able to recover only a *pro rata* share of its property pursuant to a distribution of a bankrupt futures commission merchant's assets.

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

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

Mortgage-Backed Securities

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

affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and the Funds would be required to reinvest the proceeds at the lower interest rates then available. Prepayments of mortgages that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of MBS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option. There are no geographic, credit or other restrictions with respect to the mortgage collateral that may be collateralized.

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

Securities Lending

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

Termination of LIBOR

The London Interbank Offered Rate ("**LIBOR**"), which has been the principal floating rate benchmark in the financial markets, is being discontinued as a floating rate benchmark as a result of longstanding regulatory initiatives. The date of discontinuation will vary depending on the LIBOR currency and tenor. Many existing LIBOR contracts have recently transitioned to another benchmark, although certain existing LIBOR contracts still have yet to make this transition.

The predominance of different replacement benchmarks to LIBOR cannot be predicted with certainty. Similarly, it is impossible to predict with certainty the consequences for existing instruments of having to switch from LIBOR to an alternative interest rate benchmark (if one can be determined). Furthermore, during the period when new benchmarks are proposed but not yet widely accepted, the likelihood of such benchmarks themselves being subject to periods of

illiquidity, contributing to the increased likelihood of such benchmarks also being excessively volatile. See "—SOFR as a LIBOR Replacement" below.

The uncertainty as to what replacement benchmark rates will emerge may result in increasing uncertainty and illiquidity in the debt markets in which the Partnership invests, as well as having adverse effects on the broader financial markets and the instruments held by the Partnership. The consequences to the Partnership cannot be predicted but could be material and adverse.

SOFR as a LIBOR Replacement

In the United States, there have been efforts to identify alternative reference interest rates for U.S. dollar LIBOR. The cash markets have generally coalesced around recommendations from the Alternative Reference Rates Committee (the "**ARRC**"), which was convened by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York ("**FRBNY**"). The ARRC has recommended that U.S. dollar LIBOR be replaced by rates based on the Secured Overnight Financing Rate ("**SOFR**") plus, in the case of existing LIBOR contracts and obligations, a spread adjustment. The derivatives markets are also expected to use SOFR-based rates to replace U.S. dollar LIBOR. For purposes of the following discussion, the term "LIBOR" refers solely to U.S. dollar LIBOR.

SOFR has a limited history, having been first published in April 2018. The future performance of SOFR, and SOFR-based reference rates, cannot be predicted based on SOFR's history or otherwise. Future levels of SOFR may bear little or no relation to historical levels of SOFR, LIBOR or other rates.

SOFR-based rates will differ from LIBOR, and the differences may be material. SOFR is intended to be a broad measure of the cost of borrowing funds overnight in transactions that are collateralized by U.S. Treasury securities. SOFR is calculated by the FRBNY based on transaction-level repo data collected from various sources. For each trading day, SOFR is calculated as a volume-weighted median rate derived from such data. Because SOFR is a financing rate based on overnight secured funding transactions, it differs fundamentally from LIBOR. LIBOR is intended to be an unsecured rate that represents interbank funding costs for different short-term tenors. It is a forward-looking rate reflecting expectations regarding interest rates for those tenors. Thus, LIBOR is intended to be sensitive to bank credit risk and to short-term interest rate risk. In contrast, SOFR is a secured overnight rate reflecting the credit of U.S. Treasury securities as collateral. Thus, it is intended to be insensitive to credit risk and to risks related to interest rates other than overnight rates. SOFR has been more volatile than other benchmark or market rates, such as three-month LIBOR, during certain periods. It is expected that more than one SOFR-based rate will be used in the financial markets. Like LIBOR, some SOFR-based rates will be forward-looking term rates; other SOFR-based rates will be intended to resemble rates for term structures through their use of averaging mechanisms applied to rates from overnight transactions, as in the case of "simple average" or "compounded average" SOFR. Different kinds

of SOFR-based rates will result in different interest rates. Mismatches between SOFR-based rates, and between SOFR-based rates and other rates, may cause economic inefficiencies, particularly if market participants seek to hedge one kind of SOFR-based rate by entering into hedge transactions based on another SOFR-based rate or another rate. For these reasons, among others, there is no assurance that SOFR, or rates derived from SOFR, will perform in the same or a similar way as LIBOR would have performed at any time, and there is no assurance that SOFR-based rates will be a suitable substitute for LIBOR.

There are non-LIBOR forward-looking floating rates that are not based on SOFR and that may be considered by participants in the financial markets as LIBOR alternatives. Unlike forward-looking SOFR-based term rates, such rates reflect a bank credit spread component. It is not clear how such non-SOFR rates, and other non-SOFR rates, will develop and to what extent they will be used. Concerns about market depth and stability could affect the development of non-SOFR-based term rates, and such rates may create various risks, whether or not similar to the risks relating to SOFR.

Non-LIBOR floating rate obligations, including SOFR-based obligations, may have returns and values that fluctuate more than those of floating rate obligations that are based on LIBOR or other rates. Also, because SOFR and some alternative floating rates are relatively new market indexes, markets for certain non-LIBOR obligations may never develop or may not be liquid. Market terms for non-LIBOR floating rate obligations, such as the spread over the index reflected in interest rate provisions, may evolve over time, and prices of non-LIBOR floating rate obligations may be different depending on when they are issued and changing views about correct spread levels.

As financial markets transition away from LIBOR, resulting changes may generally adversely affect financial markets in which the Partnership invests and may also specifically adversely affect instruments held by the Partnership.

Activist Investing and Special Situations

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

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

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

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

Markets with Limited Liquidity

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

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

Supply of Investment Opportunities and Demand for Such Investments

Among other factors, the returns on investments available in the marketplace are a function of the supply of investment opportunities and the amount of capital investing in such opportunities. The Fund's returns fluctuate with the supply of, and demand for, investment opportunities available in the marketplace.

Leverage

The Funds leverage its securities positions by borrowing funds from securities broker-dealers, banks or others, by trading on margin, and by trading derivative instruments that are inherently leveraged. In addition, the Funds may incur financing charges relating to such borrowing.

The unavailability of debt financing at favorable terms, whether from prime brokers, banks or others, may have a negative impact on the Fund's returns. There is no assurance that the Funds will continue to be able to secure sufficient debt financing for its current investment strategy, or that debt financing, if available, will be available at favorable terms.

Certain Funds may secure interim financing for the purpose of bridging Capital Calls to fund investments and for general investment purposes. If necessary, a Fund may secure interim financing by borrowing from another Taconic entity or from a service provider to such Fund that will draw down on its line of credit. Taconic has a potential conflict in determining such loan terms with another Taconic entity. Furthermore, Taconic will have a conflict of interest should any scenario involving a default under such arrangement arise or be contemplated. Taconic may be in a position where it must enforce the terms of a loan agreement against the relevant Fund.

General Real Estate Risks

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

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

performance, including performance that may be materially more adverse than the performance associated with other investments.

Taconic has entered into, and may in the future enter into additional, relationships with property management agencies, real estate operating partners and similar firms, which may provide sourcing, management and other services with respect to the investment opportunities targeted by certain Funds. These Funds may be subject to various costs (directly or indirectly) relating to such relationships, including performance-based or fixed asset-based fees, and certain of Taconic's real estate operating partners may co-invest in the related investment opportunity. If Taconic is unable to enter into or maintain such relationships, its ability to source, execute and service the Funds' investments may be impaired, which could have a material adverse effect on the Funds. In addition, to the extent the Funds or Taconic enters into such relationships, it may rely to some extent on such relationships for sourcing and other functions in the regions in which it invests. If any parties to such relationships do not discharge their duties in a competent manner, the business prospects of the Funds could be impaired, resulting in losses to the Funds. Further, in the event that Taconic and a real estate operating partner disagree with respect to the timing or terms of a disposition of an asset, Taconic may be unable to effect a disposition in the time frame or on the terms it would have in the absence of such a relationship, which may result in losses to the Funds.

Investing in Different Levels of the Capital Structure

Taconic may structure an investment in an issuer where one or more Taconic Funds are primarily investing in equity or equity-like securities or other types of instruments of an issuer and the Taconic Funds are offered an opportunity to participate in an investment in the same issuer or alongside an investment made by the Taconic Funds but in a different security or instrument than acquired by the Taconic Fund (or vice versa). For example, a Taconic Fund ("Fund A") may hold senior debt and another Taconic Fund ("Fund B") may hold equity securities, or Fund A may hold subordinated debt while Fund B holds senior debt in the same issuer. This would potentially result in Fund A being senior or junior to Fund B in the capital structure of such issuer, which could cause Taconic to face conflicts of interest with respect to its investment decisions on behalf of such Taconic Fund regarding the investment (e.g., with respect to the terms of such debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). It may be the case where such actual or potential conflicts of interest arise that Taconic's financial incentives will be in favor of Taconic Fund over another. There is no assurance that Taconic will be able to resolve these conflicts in a manner that will not have an adverse impact on the Taconic Fund or that the returns to the Taconic Fund would be equal to and not less than the Taconic Fund would have achieved if such conflict did not occur.

Investments in Special Purpose Acquisition Companies

Certain Funds invest in “special purpose acquisition companies” (“SPACs”). A SPAC is a development stage company that has no specific business plan or purpose or has indicated its business plan is to engage in a merger or acquisition with an unidentified company or companies, other entity or person. Because SPACs have broad discretion to select potential business combinations (subject to industry, geographic or other limitations, if any), it is not possible for Taconic to ascertain the merits or risks of investing in a particular SPAC. Taconic generally intends to select for investment securities of SPACs that are perceived by Taconic to have strong, well-funded structures and to be headed by management teams with proven track records but may not always do so if there is a limited number of such offerings or for other reasons. The Funds dependent upon the integrity, skill and judgment of the management team of each SPAC in which the Funds invest. The officers and directors of a SPAC will generally not be required to commit their full time to the affairs of the SPAC, which may result in a conflict of interest in allocating their time between the operations of the SPAC and their own business interests. If the officers’ and directors’ other businesses and affairs require them to devote more substantial amounts of time to such affairs, it may negatively impact the ability of the SPAC to identify and complete a business combination with an operating company. In addition, officers and directors of a SPAC may become involved with other SPACs in which the Funds do not invest which may engage in similar business opportunities. Accordingly, the officers and directors may have conflicts of interest in determining to which entity a particular business opportunity should be presented. There can be no assurance that the business opportunity will be presented to the SPAC in which the Funds made an investment.

There is no guarantee that a SPAC selected by Taconic for investment by the Funds will be able to effect a business combination with an operating entity. SPACs may encounter intense competition from other entities having similar business objectives, such as venture capital funds, leveraged buy-out funds and other private equity entities, as well as operating businesses competing for acquisitions. If the Funds invests in a SPAC that is unable to effect a business combination, the Funds will receive its share of the proceeds held in trust, subject to reduction if third-party claims are made against the SPAC or escrow. If the Funds were to acquire warrants in a dual deal structure, the Funds may lose the entire value of such warrants if a business combination cannot be effected by such SPAC. The Funds may invest in a SPAC that is required to acquire or effect a business combination with an operating company in a certain industry or geographic market. The ability of the Funds to successfully do so may be adversely impacted by risks associated with the specific industry or geographic market.

A SPAC may trade at a discount or a premium to its initial public offering price, which may impact the relevant Fund’s net asset value for purposes of subscriptions and withdrawals. Because investors in the Funds (i) may be admitted to the Funds subsequent to the date that the Funds acquired a particular SPAC and (ii) participate in the Funds through an interest that is marked to

the Fund's net asset value, investors may sustain a loss in the event that, upon disposition of the relevant SPAC, the disposition proceeds do not exceed the premium to which such SPAC was trading at the time of such investor's investment in the Funds.

If the relevant Funds invest in the sponsor of a SPAC ("**Sponsor Equity**") that is unable to effect a business combination, the Funds may lose the entire value of the Sponsor Equity if a business combination cannot be effected by that SPAC. In addition, the stock and/or warrants owned by the SPAC sponsor may be subject to certain lock-up periods following a business combination

Digital Assets

Certain Funds invest in Bitcoin, Bitcoin-related assets and derivative digital assets, various digital currencies, decentralized application tokens and protocol tokens, app coins, blockchain-based assets, and other related instruments (collectively, "**Digital Assets**"). Digital Assets are a new and evolving asset class. The characteristics of particular Digital Assets within the "class" may differ significantly, and the investment characteristics of Digital Assets as an asset class differ from those of traditional currencies, securities and commodities. Furthermore, Digital Assets are currently subject to a loose but constantly evolving regulatory landscape. Recent statements by the SEC, coupled with an increase in enforcement actions related to Digital Assets, indicate that regulation in this space will become more rigorous in the future. Importantly, Digital Assets are generally not backed by a central bank or a national, supra-national, or quasi-national organization, any hard assets, human capital, or other form of credit. Supply and the validity of transactions are determined by a computer code, not by a central bank or other trusted intermediary, and prices have been extremely volatile. Digital Assets may have no inherent value. Rather, the value of Digital Assets is market-based. Several factors may affect the price of Digital Assets, including, but not limited to, supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of Digital Assets or the use or ownership of Digital Assets. There can be no assurance that Digital Assets will maintain their value in the future, or that acceptance of using Digital Assets as currency or to make payments by mainstream retail merchants and commercial businesses will continue to grow.

Digital Assets are generated and traded according to the protocols established with respect to such Digital Assets. There can be no assurance that such protocols do not have undiscovered flaws that may allow for such Digital Assets to be compromised, resulting in the loss of some or all of the relevant Fund's investment in such Digital Assets. In addition, Digital Assets often rely on cryptographic and other computational security measures that may become obsolete, including because of advances in computing technology. Such assets may experience periods of disruption or become subject to manipulation as new technologies become available or during periods of disparate adoption of new hardware, software or protocols.

The trading prices of many Digital Assets, including Bitcoin, have experienced extreme volatility in recent periods and may continue to do so. For instance, there were steep increases in the value of certain Digital Assets, including Bitcoin, over the course of 2017, and multiple market observers asserted that Digital Assets were experiencing a “bubble.” These increases were followed by steep drawdowns throughout 2018 in Digital Asset trading prices, including for Bitcoin. These drawdowns notwithstanding, Bitcoin prices have increased again during 2019, decreased again in 2020 amidst broader market declines as a result of the novel coronavirus pandemic, and increased significantly again late in 2020. The Bitcoin markets may still be experiencing a bubble or may experience a bubble again in the future. Extreme volatility in the future, including further declines in the trading prices of Bitcoin, could have a material adverse effect on the value of the Interests and the Interests could lose all or substantially all of their value. Risks related to Digital Assets, including but not limited to one or more of the foregoing, could result in the loss of some or all of the relevant Funds investment in such Digital Assets and thus adversely affect such Funds.

Custody and Security Risks of Digital Assets

The Funds that own Digital Assets may not directly control its Digital Assets. The financial institutions or other third parties selected by Taconic to act as custodians may become insolvent, causing the relevant Funds to lose all or a portion of the Digital Assets held by those custodians.

Certain Funds occasionally hold Digital Assets directly, such as when transferring its Digital Assets between the Digital Asset exchanges and custodians used by such Fund. To the extent a Fund holds Digital Assets directly, Taconic may maintain custody of some or all of the Fund’s Digital Assets by generating the private keys that control movement of the various Digital Assets. Taconic is responsible for taking such steps it determines, in its discretion, to be required to maintain access to these keys, as applicable, and protect them from hacking, malware and general security threats. To the extent that Taconic, in its sole discretion, engages financial institutions or other third parties to act as custodians of the Fund’s Digital Assets, the Fund will be reliant on such parties’ security systems and processes to ensure the safe storage of the Fund’s Digital Assets.

These safeguards may be breached due to the actions of outside parties, error or malfeasance of an employee of Taconic, the applicable custodian, or otherwise, and, as a result, an unauthorized party may obtain access to the Fund’s assets held with the custodian, the private keys (and therefore the Digital Assets) or other data of the Fund. Additionally, outside parties may attempt to fraudulently induce Taconic employees or those of a custodian to disclose sensitive information in order to gain access to our or the custodian’s infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, each or all of the relevant Funds, Taconic and custodians may be unable to anticipate these techniques or implement adequate preventative measures. The safety of the relevant security measures could be affected by a number of factors, including (but not limited to): (i) existing or new technological threats; (ii) undetected errors, software flaws or vulnerabilities; (iii) security

breaches arising from cyber-attacks, computer malware, computer hacking or sabotage; and (iv) fraud, willful default or negligence or other failures on the part of the relevant custody provider.

To the extent that Taconic or a custody provider is unable to identify and mitigate or stop new security threats, the Fund's holding of Digital Assets may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of the Digital Assets or the Interests, or result in loss of the Fund's assets.

Loss or Destruction of Private Keys

Most Digital Assets are controllable only by the possessor of unique private keys relating to the blockchain addresses or wallets in which the Digital Assets are held. To the extent a private key of such Digital Assets is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the Digital Assets held in the related wallet will be inaccessible, and the private key will not be capable of being restored. The loss or destruction of a private key required to access a Digital Asset may be irreversible. Any loss of private keys relating to wallets used to store the Fund's Digital Assets could result in the loss of the Digital Assets. The risk of loss due to losses of private keys or similar methodologies of secure access is generally greater for Digital Assets than that of other asset classes given their nature and the variations in the sophistication of access methodologies. Any loss of private keys relating to the digital wallets used to store the Fund's Digital Assets could adversely affect an investment in the Interests.

Evaluation and Disclosure of Claims; Collection Risks

Certain Funds invest in litigation claims. Details of claims in which these Funds have invested or intend to invest likely cannot and will not be disclosed on a named or detailed basis to investors because of confidentiality restrictions. Accordingly, investors will not have an opportunity to evaluate these claims themselves and will be dependent upon the judgment and ability of Taconic to assess the value of these claims and manage the assets of the Funds.

Investing in claims involves assessing the likelihood of success on a particular claim as well as the ability of the defendant to pay a judgment or award if such claim is successful. If the defendant is unable to pay or seeks to challenge the validity of the judgment or award, the Funds may encounter difficulties in recovery, even though the claim was successful. Additionally, the nature of litigation recoveries, including the timing of amounts recovered, are outside the control of the Funds and Taconic. Once the investment is made, there is no assurance as to collection times, and there is no guarantee that Taconic will be able to predict the timing of payment of settlement proceeds with enough accuracy to achieve the anticipated profitability and rate of return in any given period.

Environmental, Social and Governance Investing

As part of its overall investment process, Taconic will attempt to uncover what it believes to be material and relevant environmental, social and governmental (“ESG”) risks related to certain potential investments throughout the investment lifecycle. ESG risks may include, without limitation, risks relating to environmental damage, human rights abuses, labor and social justice issues, political events and improper corporate governance. Taconic cannot guarantee that it will uncover all ESG risks in respect of the positions it considers for the Funds’ portfolio nor does its process require it to do so. The Funds’ portfolio may lose value based on ESG-related events. Taconic’s interpretation and application of its ESG standards and ESG factors it takes into consideration are subjective and may evolve over time.

As a result, Taconic’s consideration of ESG factors may cause the Funds’ exposure to certain companies, sectors or industries to be reduced and, accordingly, the Funds’ performance may be lower than other investments funds that do not consider ESG factors or that interpret ESG factors differently than Taconic.

Risk of Litigation

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

Cybersecurity Breaches

The Funds are subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from “hacking” by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data as well as misappropriation of confidential information. Taconic controls, procedures and systems in place designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. If a cybersecurity breach occurs, the Funds may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary

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

Risk of Natural Disasters, Pandemics, Epidemics and Terrorist Attacks.

Countries and regions in which the Funds invest, where the Taconic has offices or where the Funds or the Taconic otherwise do business are susceptible to natural disasters (*e.g.*, fire, flood, earthquake, storm and hurricane) as well as epidemics, pandemics or other outbreaks of serious contagious diseases, (including, for example COVID-19 pandemic). The occurrence of a natural disaster, epidemic or pandemic could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic) and could adversely affect the Funds' investment program or the Taconic's ability to do business. In addition, terrorist attacks, or the fear of or the precautions taken in anticipation of such attacks, could, directly or indirectly, materially and adversely affect certain industries in which the Funds invest or could affect the countries and regions in which the Funds invest, where the Taconic has offices or where the Funds or the Taconic otherwise do business. Other acts of war (*e.g.*, war, invasion, acts of foreign enemies, hostilities and insurrection, regardless of whether war is declared) could also have a material adverse impact on the financial condition of industries or countries in which the Funds invest.

United Kingdom Membership in the European Union

The United Kingdom (the “**UK**”) ceased to be a member of the European Union (the “**EU**”) on January 31, 2020 (“**Brexit**”). During a prescribed period (the “**Transition Period**”), which ended on December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law.

On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the “**TCA**”). The TCA is limited in its scope primarily to the trade of goods, transport, energy links and fishing; in particular, the TCA does not make any meaningful provision for the financial services sector. Uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. The impact of such events on the Funds is difficult to predict but they may adversely affect the return on the Funds and its investments. There may be detrimental implications for the value of certain of the Funds' investments, its ability to enter into transactions or to value or realize such investments or otherwise to implement its investment program. It is possible that certain of the Funds' investments may need to be restructured to enable the Funds'

objectives to be pursued fully. This may increase costs or make it more difficult for the Funds to pursue its investment objectives.

MiFID II

The European Union Markets in Financial Instruments Directive (Directive 2014/65/EU) and Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014) (together, “**MiFID II**”) govern the provision of investment services and activities in relation to, as well as the organized trading of, financial instruments such as shares, bonds, units in collective investment schemes and derivatives. MiFID II was required to be implemented in EU member states from January 3, 2018. Although the Funds are not organized in the EU, and are not authorized or regulated by any EU member state financial services regulator, certain aspects of MiFID II may have an impact on the Funds.

MiFID II imposes certain restrictions as to the trading of shares and derivatives, which could apply to transactions made by or with the Funds. Subject to certain conditions and exceptions, the Funds may be unable to trade shares or derivatives with or through affected EU regulated firms (e.g. EU broker-dealers) other than as provided by MiFID II. MiFID II also applies position limits to the size of a net position that a person can hold at all times in commodity derivatives traded on EU trading venues and in “economically equivalent” OTC derivatives.

More generally, EU regulated firms that have trading relationships with the Funds may be obliged by MiFID II to impose certain requirements on the Funds, or they may seek to do so contractually, with a view to satisfying their own compliance obligations. It is difficult to predict the full impact of MiFID II on the Funds and/or Taconic. There may be costs (whether direct or indirect) of compliance with MiFID II.

The UK has largely equivalent rules to those in MiFID II. Accordingly, although the Funds are not organized in the UK, and are not authorized or regulated by the UK FCA, similar consequences to those discussed above would arise when trading with or through UK regulated firms and/or holding positions in commodity derivatives traded on UK trading venues and in economically equivalent OTC derivatives.

Possibility of Additional Regulation; Governmental Intervention

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental and self-regulatory scrutiny of the “hedge fund” and financial services industry in general, as well as governmental intervention in the markets (in some cases on an “emergency” basis). The U.S. Congress, as well as the governing bodies of non-U.S. jurisdictions, periodically consider legislation proposing greater regulation of the industry. Regulators may unexpectedly take positions that prohibit strategies that had been implemented in a variety of formats for many years. In addition, other governmental and

regulatory bodies and self-regulatory organizations in the jurisdictions in which Taconic may invest may enact new legislation and regulations from time to time.

It is impossible to predict what, if any, changes in the regulations applicable to the Funds, Taconic, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such laws or regulations could have a material adverse impact on the profit potential of the Funds. Further, such change could place limitations on the type of investors that may invest in the Funds, or on the conditions under which such investors may invest and such regulation might also limit the scope of investing activities that may be undertaken by the Funds, impose significant administrative burdens on Taconic and divert time and attention from core business activities. In the current evolving regulatory environment, it is impossible to predict if future regulatory developments might adversely affect the Funds.

Government Sanctions

Taconic operates a program reasonably designed to ensure compliance generally with economic and trade sanctions related obligations applicable directly or indirectly to its investment activities. Such economic and trade sanctions may prohibit, among other things, transactions with and the provision of services to, directly or indirectly, certain countries, territories, entities and individuals. It should be expected that these economic and trade sanctions, if applicable, and the application by Taconic of its compliance program in respect thereof, will restrict or limit the Fund's investment activities, and may require Taconic to cause a Fund to sell its position in a particular investment at an inopportune time and/or when Taconic would otherwise not have done so.

On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People's Republic and the Luhansk People's Republic). The following day, the United States, United Kingdom and European Union announced sanctions against Russia. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, including Russia's forces pre-positioned in Belarus. In response, the United States, United Kingdom, and European Union imposed further sanctions designed to target the Russian financial system, and thereafter a number of countries banned Russian planes from their respective airspaces. Further sanctions may be forthcoming, and the United States and allied countries announced they are committed to taking steps to prevent certain Russian banks from accessing international payment systems. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries and the increase in international sanctions could each have a negative impact on the economy and business activity globally, and therefore could adversely affect the performance of the Funds' investments. Furthermore, given the evolving nature of the conflict between the two nations and its ongoing escalation (examples include Russia's decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare by Russia against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic, business and market conditions, and, as a result, the situation may present material uncertainty and risk with respect to

the Funds and its performance or operations, and the ability of the Funds to achieve its investment objectives.

Impact of the Silicon Valley Bank Failure

On March 10, 2023, Silicon Valley Bank (“SVB”) was closed by the California Department of Financial Protection and Innovation (“DFPI”), and the Federal Deposit Insurance Corporation (“FDIC”) was named receiver of the closed bank. On March 12, 2023, Secretary of the U.S. Treasury Department, Janet L. Yellen, Federal Reserve Board Chair, Jerome H. Powell, and FDIC Chairman, Martin J. Gruenberg, after receiving a recommendation from the boards of the FDIC and the Federal Reserve and consulting with President Biden, approved actions enabling the FDIC to complete its resolution of SVB, in a manner that Secretary Yellen described would fully protect all depositors and give them access to all of their money starting Monday, March 13, 2023. A similar resolution was announced with respect to Signature Bank, New York, New York (“Signature Bank”), which was similarly closed on March 12, 2023 by its state chartering authority.

While the immediate issues resulting from the failures of SVB and Signature Bank appear to have been mitigated, the instances of such banking failures can and are resulting in market volatility and disruption, and any such future emergencies have the potential to create materially adverse impacts on economic production and activity in ways that cannot be predicted, all of which may result in substantial losses to the Funds. The ultimate impact of such banking failures and the resulting lack of confidence in the global financial markets on global economic conditions, and on the operations, financial condition, and performance of any particular industry or business, is impossible to predict. However, potential additional material adverse effects, including a global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. Even if SVB’s and Signature Bank’s failures are isolated, it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

Item 9 - Disciplinary Information

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

Item 10 - Other Financial Industry Activities and Affiliations

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

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

Name of Entity	Serves as General Partner to
Taconic Capital Performance Partners LLC	Taconic Capital Advisors L.P.
Taconic Associates LLC	TP Fund L.P. Taconic Opportunity Fund L.P. Taconic Opportunity Intermediate Fund L.P. Taconic Opportunity Master Fund L.P.
Taconic ECDF LLC	Taconic European Credit Dislocation Fund II L.P. Taconic European Credit Dislocation Fund Offshore Fund II L.P. Taconic European Credit Dislocation Master Fund II L.P.
Taconic ECDF III LLC	Taconic European Credit Dislocation Fund III L.P. Taconic European Credit Dislocation Fund Offshore Fund III L.P. Taconic European Credit Dislocation Master Fund III L.P.
Taconic MDF III LLC	Taconic Market Dislocation Fund III (Cayman), L.P. Taconic Market Dislocation Onshore Fund III L.P. Taconic Market Dislocation Master Fund III (Cayman), L.P. Taconic Market Dislocation Fund III AIV I (Cayman), L.P.
Taconic CREDF LLC	Taconic CRE Dislocation Fund L.P. Taconic CRE Dislocation Onshore Fund L.P.
Taconic CREDF II LLC	Taconic CRE Dislocation Fund II L.P. Taconic CRE Dislocation Onshore Fund II L.P.
Taconic CREDF III LLC	Taconic CRE Dislocation Onshore Fund III L.P. Taconic CRE Dislocation III Overflow Fund L.P.
Taconic CDF IV LLC	Taconic Credit Dislocation Fund IV L.P. Taconic Credit Dislocation Offshore Fund IV L.P. Taconic Credit Dislocation Master Fund IV L.P.
Taconic Co-Investment GP LLC	Taconic Co-Investment Onshore Fund L.P. Taconic Co-Investment Offshore Fund L.P.
Taconic Merger Arbitrage GP LLC	Taconic Merger Arbitrage Fund L.P. Taconic Merger Arbitrage Offshore Fund Ltd. Taconic Merger Arbitrage Master Fund L.P.

Taconic, the filing adviser, and its related investment adviser, Taconic Capital Advisors UK LLP have filed a single Form ADV in reliance upon guidance from the SEC and the Form ADV instructions. Taconic Capital Advisors UK LLP relies on the registration of Taconic and does not need to register separately with the SEC. Relying Advisers are considered to be registered with the SEC and, as such, are required to comply with all the provisions of the Act and the rules thereunder that apply to registered advisers. Registration does not imply a certain level of skill or training.

Taconic Capital Advisors UK LLP (“Taconic UK”) is located in the United Kingdom and is managed through Taconic Capital Services UK Ltd., a wholly owned subsidiary of Taconic. Taconic UK is authorized and regulated by the Financial Conduct Authority of the United Kingdom. Taconic has entered into a sub-advisory agreement with Taconic UK pursuant to which Taconic UK serves as a subadvisor to Taconic Capital Advisors L.P. in respect of all of the Funds identified at Item 4 of this Brochure other than the TP Fund, the TCRED Funds, the TCRED II Funds, the TCRED III Funds, the Overflow Fund, the TMDF III Funds, and CDF IV Fund and is paid out of the fees received by Taconic from each of the relevant Funds as described at Item 5 of this Brochure.

Taconic is registered with the Commodity Futures Trading Commission as a commodity pool operator. Taconic is also a member of the National Futures Association (“NFA”). In connection with Taconic’s CFTC registration and NFA membership, certain Taconic employees are registered, as appropriate, with the NFA as principals and/or associated persons.

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

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

commodities, certain digital assets, government securities, and other high quality, short-term debt securities that Taconic has determined are not likely to cause a conflict with the Funds' trading.

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

Taconic does not engage in principal transactions or agency cross transactions. To the extent permitted by applicable law, Taconic may enter into transactions and invest in securities, instruments or other investments (including other forms of financing) on behalf of the Funds in which Taconic or its affiliates acts as agent on behalf of the Fund and the other Taconic-affiliated party to the transaction. Cross transactions enable Taconic to purchase or sell a block of securities or other investments for the Funds at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market with such purchase or sell order. The relevant affiliate may have a potentially conflicting division of responsibilities to both parties to such cross transaction. Taconic will only consider engaging in a cross transaction with an affiliate of Taconic to the extent permitted by applicable law, including, if required or appropriate, the making of appropriate disclosure to and compliance with the policies set forth below under "Offer of Instruments Held by the Taconic Funds."

Also, from time to time, for business reasons Taconic may prefer to transfer the economic performance of portfolio assets (without transferring the actual assets) or to purchase or sell assets among certain Funds within the same Fund family by using swap agreements, participation agreements and other arrangements. As with the purchase or sale of assets amount the Funds, Taconic has a conflict of interest in determining the economic terms of these arrangements. Taconic will also have a conflict of interest should any of these arrangements suffer a default. Taconic acts in what Taconic believes to be the best interests of all entities, basing pricing determinations on identical valuation procedures for each of such entities. If Taconic has determined that such a transaction is in the best interests of the participating entities, Taconic may still determine that investor consent is advisable or necessary. In such cases, Taconic will seek approval of the relevant LPAC or seek to engage independent directors to provide consent on behalf of the applicable funds.

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

Offer of Instruments Held by the Taconic Funds

Taconic from time to time offers to one or more Funds, other Taconic Funds and/or other funds or accounts managed or advised by third-party managers, participations in, and/or assignments or sales of, loans (or interests therein) or other assets that Taconic has acquired (whether at original issuance or otherwise). Such offers will usually be made after Taconic has held such investment (including the portion offered) for a period of time. In the event that there are significant losses in respect of such investment prior to such sale or assignment, Taconic would bear all such losses. If such an offer is made to any Fund, the price of the participation or assigned or sold interest (as the case may be) will be based upon the fair value as determined in accordance with Taconic's Valuation Policy. To the extent there is no observable market price or exchange price, such valuation will be established based in accordance with Taconic's Valuation Policy (including, if necessary, third-party valuations) and reviewed by Taconic's Valuation Committee. Further, the decision by Taconic to offer participations in and/or assignments or sales of investments (or interests therein) will be made by certain Principals of Taconic, and the decision by the other Funds to accept or reject such offer will similarly be made by certain other Principals of Taconic in accordance with Taconic's policies.

Item 12 - Brokerage Practices

Brokerage Selection, Best Execution and Use of Soft Dollars

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

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

- General economic and market reviews;
- Industry and company reviews;

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

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

MiFID II creates distinctions between the treatment of broker research arrangements in the UK/European Union member states and their treatment elsewhere. Taconic complies with the relevant rules of MiFID II when paying for broker research in the UK and the SEC rules when paying for broker research in the United States. For investment services or strategies managed in the UK, the Funds will absorb the cost of broker research separately from execution cost. For investment services or strategies managed in the U.S., the Funds will generally continue to contribute to the payment of broker research through their brokerage commissions or where appropriate with hard dollars.

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

In addition to the foregoing, Taconic receives consulting assistance services from one or more prime brokers, including, but not limited to, consulting assistance with facilities management technology, design and build, operational processes, real estate and third-party service providers. The prime brokers will provide such consulting assistance services in complement to, and not in

place of, Taconic's independent professional advisors and service providers. The benefits provided to Taconic by receipt of the consulting assistance from the prime broker will assist Taconic, either directly or indirectly, in the provision of efficient investment management services to the Funds and to other third parties. The receipt by Taconic of the assistance services from any prime broker may give rise to an actual or potential conflict of interest for Taconic. Taconic will manage any such actual or potential conflict of interests appropriately and will not allocate business or effect transactions on behalf of the Fund with the prime broker where to do so would conflict with Taconic's duties to the Fund.

Multiple Clients, Trade Aggregation and Allocation

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

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

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

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

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

In addition, because the Funds may at times take conflicting positions, there may be instances where Taconic takes an action with respect to one Fund that is beneficial to that Fund but not to others and may negatively affect the value of investments held in such other Funds.

To the extent that a Fund allocates an investment opportunity arising out of a position held by the Fund to another Fund, such other Fund will generally, to the extent practicable, reimburse the originating Fund for the cost of participating in such investment opportunity, if any, as will be determined by the Taconic in accordance with its allocation policies.

The Compliance Department reviews trade allocations regularly for any deviation from this policy of equitable trade allocations. In addition, Taconic's Valuation Committee reviews certain trade allocations on a quarterly basis.

Trade Errors

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

Item 13 - Review of Accounts

The portfolio manager of a Fund reviews the holdings of that Fund on a daily basis. Each Portfolio Manager monitors holdings in light of its Fund's investment guidelines and restrictions, as well as trading activity, significant corporate events, significant economic and

general business conditions, and other activities that may dictate a change in portfolio positions. In addition, the Compliance Department uses a compliance system to monitor the portfolio of each Fund on a pre-trade and post-trade basis to ensure that Taconic has not violated the investment restrictions or guidelines of any Fund.

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

Investors in the Closed-End Funds receive financial statements and other information on a periodic basis.

Item 14 - Client Referrals and Other Compensation

Taconic does not receive any economic benefit other than the fees described above for providing investment advice and advisory services to the Funds. From time to time, Taconic enters into arrangements with third parties to raise capital for the Funds. Such placement agents typically receive a flat fee or, in some cases, a percentage of the investments they bring to the respective Fund. There is a conflict of interest created by a placement agent's compensation being based on the investor's decision to invest. The placement agent may have incentive to recommend the Funds to its clients even if an investment in the Funds may not be in the best interest of its clients.

Item 15 - Custody

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

the custody rule, and in order to qualify for the private securities exemption described above, Taconic provides all Fund investors with audited financial statements of the relevant Fund within 120 days of such Fund's fiscal year end.

Item 16 - Investment Discretion

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

Item 17 - Voting Client Securities

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

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

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

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

Item 18 - Financial Information

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