

Item 1 – Cover Page

Form ADV Part 2A: FIRM BROCHURE



111 Eighth Avenue, Suite 1500
New York, NY 10011
secinfo@tacon.com
(212) 220-9945 (phone)
www.taconicinvestments.com

March 27, 2020

This brochure provides information about the qualifications and business practices of Taconic Investment Partners LLC, operating under the trade name Taconic Partners. If you have any questions about the contents of this brochure, please contact us at (212) 220-9945. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Taconic Investment Partners LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

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

Item 2 – Material Changes

Since our last annual update dated March 28, 2019, Taconic formed a new fund, the New York City Property Fund II (as further disclosed in Item 4).

Additionally, Taconic routinely makes changes throughout its brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry and Firm practices. In this year's filing, the following Items have been updated, in addition to certain immaterial changes and/or conforming changes related to the following:

- Item 4: updated to include clarifying information regarding our new fund and to reflect regulatory assets under management as of December 31, 2019;
- Item 5: updated to reflect fees and expenses, particularly with respect to the new fund; and
- Item 8: updated to reflect additional risk factors and conflicts of interest.

Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	4
Item 6 – Performance-Based Fees and Side-By-Side Management	8
Item 7 – Types of Clients.....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9 – Disciplinary Information	44
Item 10 – Other Financial Industry Activities and Affiliations.....	45
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...47	
Item 12 – Brokerage Practices.....	49
Item 13 – Review of Accounts	50
Item 14 – Client Referrals and Other Compensation.....	51
Item 15 – Custody	52
Item 16 – Investment Discretion.....	52
Item 17 – Voting Client Securities.....	53
Item 18 – Financial Information	54

Item 4 – Advisory Business

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

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

Taconic, through its relying adviser, provides investment advisory services to the following pooled investment vehicles: Taconic New York City Investment Fund LP (the “Taconic NYC Investment Fund”); Taconic New York City GP Fund LP (the “Taconic NYC GP Fund”); Taconic New York City GP Fund LP (the “Taconic NYC GP Fund”); the New York City Property Fund II, which includes New York City Property Fund II LP, New York City Property Fund II (I) LP and New York City Property Fund II (C) LP (collectively, the “New York City Property Fund II” and together with Taconic NYC Investment Fund and Taconic NYC GP Fund, the “Funds”). Taconic NYC Investment Fund and Taconic NYC GP Fund rely on an exemption from registration under Section 3(c)(1) and/or Section 3(c)(7) of the Investment Company Act of 1940 (the “Investment Company Act”) and the New York City Property Fund II relies on an exemption from registration under Section 3(c)(5)(c) of the Investment Company Act.

In addition to the Funds, we also invest in and manage various real estate deals with other joint venture partners, either as a majority or passive investor.

The following general partners are affiliated with Taconic and are deemed to be relying advisers with authority to make investment decisions on behalf of each Fund: Taconic New York City Investment Fund GP LLC (the General Partner of the Taconic NYC Investment Fund); Taconic New York City GP Fund GP, LLC (the General Partner of the NYC GP Fund); and New York City Property Fund GP, LLC (the General Partner of the New York City Property Fund II and together, the “General Partners”). Each general partner has contracted with Taconic or an affiliate for day-to-day management of the Funds. The New York City Property Fund II is co-managed with another registered investment adviser (the “Sponsor”) and overseen by a Fund Board, by which each Sponsor appoints two members and which will collectively be responsible to the New York City Property Fund II’s investment-related matters, including initiating, structuring, negotiating, and disposing of the Fund’s investments, the use of leverage, and other material investment decisions. For more information about the Taconic Funds and the General Partners of each Fund, please see our Form ADV Part 1, Schedule D, Section 7.A.(1). and 7.B.(1).

Taconic Investment Partners LLC (the filing adviser) and Taconic Investment Manager LLC (the relying adviser) collectively operate as a single advisory business: the advisers manage and provide

investment advisory services solely to private funds that are qualified clients (specifically, Taconic Investment Manager LLC serves as the investment adviser to the Funds); Taconic Investment Partners LLC's principal office and place of business is in the United States; Taconic Investment Manager LLC's and the persons acting on its behalf are subject to Taconic Investment Partners LLC's supervision and control; the advisory activities of both Taconic Investment Partners LLC and Taconic Investment Manager LLC are subject to the Advisers Act; and Taconic Investment Partners LLC and Taconic Investment Manager LLC operate under a single code of ethics administered by a single chief compliance officer. For more information about Taconic Investment Manager LLC, our relying adviser, please see our Form ADV Part 1, Schedule R.

Finally, we wholly own Taconic Development Advisors LLC, Taconic Development Company LLC and Taconic Management Company LLC, entities which respectively, provide various construction advisory and oversight/project development services and property management and leasing services to properties in both our Funds and to third parties, as further described in Item 10.

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

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

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

Taconic leverages its entrepreneurial approach, vertically integrated platform and extensive network of relationships to acquire, develop, reposition and operate real estate. A team of seasoned investment, development, asset management, leasing and property management professionals executes the business plan. We generally manage the day-to-day operations of these real estate projects and through our wholly owned affiliates maintain an active oversight of each project, including retaining decision rights, subject to the limitations of each deal's operating agreement, private placement memorandum, limited partnership agreement, investment advisory agreement and other governing documents of the relevant Fund (collectively, the "Governing Documents").

Outside of the Funds, we invest in various real estate deals with other joint venture partners, either as a majority or passive investor. While we provide day-to-day management over many of these joint venture investments, we do not exercise full discretion over such investments and thus do not deem

them securities; accordingly, while mentioned throughout this brochure, such joint venture investments are not considered clients and are not included in our regulatory assets under management. In addition, while not affiliated with our investment advisory business, we provide construction and development advisory services to third parties through two wholly owned affiliates, Taconic Development Advisors LLC and Taconic Management Company LLC, as described in more detail in Item 10.

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

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

Limited partners cannot impose restrictions on investing in certain securities or types of securities other than as set forth in the Governing Documents. Limited partners participate in the overall investment program for the applicable partnership and generally cannot be excused from a particular investment except pursuant to the terms of the applicable partnership agreement. We have entered into side letters or similar agreements with certain limited partners that have the effect of establishing rights under, or altering or supplementing a Fund's Governing Documents. Such rights generally include co-investment preferences, certain fee arrangements, notification provisions, reporting requirements and "most favored nations" provisions, among others. These rights, benefits or privileges are not always made available to all limited partners nor in some cases are they required to be disclosed to all limited partners. Side letters are negotiated at the time of the relevant limited partner's capital commitment, and once invested in a Fund, limited partners generally cannot impose additional investment guidelines or restrictions on such Fund.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

Taconic does not participate in wrap fee programs.

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

As of December 31, 2019, Taconic managed \$348,414,838 of regulatory assets under management in its Funds, all of which is managed on a discretionary basis.

Item 5 – Fees and Compensation

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

Taconic receives an annual investment management fee from the limited partners in its Funds which is generally equal to an amount up to 1.50% of the equity committed to a Fund during that Fund's commitment period or the amount remaining invested in a Fund during the remainder of the Fund's term. Upon termination of the commitment, the fee is subject to certain adjustments. Such fee is generally reduced by the amount of a Fund's organizational costs, above a defined threshold, as well as in certain cases, reduced by fees paid to placement agents, if applicable. The description of management fees contained herein is a summary only and specific terms of each Fund's management fee calculations are detailed in such Fund's Governing Documents. Generally, limited partners participating in a subsequent closing after the initial closing of a Fund are responsible for paying the management fee as of the date of the initial closing of such Fund, plus interest, as applicable.

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

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

Fees are payable quarterly in advance and are deducted from the Funds' assets. Fees for joint venture investments are payable as negotiated on a deal-by-deal basis and approved by our joint venture partners as reflected in the Governing Documents of each investment.

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

Carried Interest

As also described in Item 6 below, affiliates of Taconic, which act as the General Partners of the Funds, and limited partners in each Fund have the ability to earn a "preferred return" on invested capital. Pursuant to each Fund's limited partnership agreement, the preferred return is calculated on a negotiated and agreed upon annual return rate per annum. The preferred return, along with the contributed capital, represent the initial distributions to limited partners. Thereafter, distributions are split between the parties pursuant to a waterfall calculation, as defined in the Fund's Governing Documents, which may result in a carried interest distribution to the General Partner or other Taconic affiliates.

Fund Expenses

Taconic NYC Investment Fund and Taconic NYC GP Fund Expenses. The Taconic NYC Investment Fund and Taconic NYC GP Fund are responsible for the ordinary day-to-day expenses incidental to the administration of such Funds. Each Fund is governed by its own Governing Documents, which details a complete description of expenses for such Fund. While differences exist among Funds, the following is a description of expenses generally charged to each Fund. The Taconic NYC Investment Fund and Taconic NYC GP Funds are responsible for all third-party costs and expenses of maintaining their respective operations, including but not limited to: fees and other out-of-pocket expenses directly related to the investigation of investment opportunities, whether or not consummated; the acquisition, ownership, financing, hedging or sale of its investments (to the extent not paid for or reimbursed by such investment); taxes; fees and other governmental charges levied against such Funds; administrative and research fees; fees for outside services; expenses of custodians, outside advisors, auditors, accountants, administrators, counsel and other consultants and professionals; expenses of the Advisory Committee and Investment Committee; insurance; technological expenses; interest on and fees, costs and expenses arising out of all financings entered into by either the Taconic NYC Investment Fund and Taconic NYC GP Fund; travel expenses; to the extent not paid by any investment, costs of any on-site personnel at any investment; litigation expenses; liquidation expenses; expenses associated with the preparation and distribution of reports to limited partners; indemnification and other unreimbursed expenses; and any extraordinary expenses to the extent not reimbursed or paid by insurance (the foregoing, the “Taconic NYC Investment Fund Expenses” and “Taconic NYC GP Fund Expenses”).

New York City Property Fund II Expenses. The New York City Property Fund II will pay or reimburse the New York City Property Fund GP LLC, Taconic or the applicable Sponsor for all expenses, costs and liabilities incurred in connection with or related to the conduct of the business of the New York City Property Fund II (“New York City Property Fund II Expenses”), including, by way of example and not limitation: (a) the organization of any investment structuring vehicles (*e.g.*, special purpose vehicles such as REIT Subsidiaries (defined below)), including documentation related thereto; (b) the management fees; (c) all legal, accounting, auditing, insurance, appraisal, custodial, environmental, administrative, financing and consulting fees for services rendered to or for the benefit of the Fund; (d) all expenses, costs, and liabilities incurred in connection with the identifying, structuring, negotiating, purchasing, monitoring, owning, developing, improving, managing, operating, readying for sale, servicing, sale, proposed sale, other disposition, or valuation of investments considered for the New York City Property Fund II (including research, due diligence, and travel expenses incurred in connection therewith), including, but not limited to, legal fees and expenses, filing fees and expenses, accounting fees and expenses, audit fees and expenses, third-party consulting fees and expenses, and other fees and expenses (to the extent not subject to reimbursement) and all fees and expenses related to unconsummated investments, including such portion that would have been borne by one or more co-investors had the investment been consummated; (e) all costs and liabilities incurred in connection with litigation or other extraordinary events, indemnification obligations and expenses, premiums for directors and officers liability, cyber, and other insurance; (f) all taxes,

including any taxes arising under the Partnership Tax Audit Rules (as defined in the New York City Property Fund II partnership agreement) (and tax reporting and preparation fees) and other governmental charges payable by the New York City Property Fund II, expenses incidental to the transfer, servicing and accounting for the Fund's cash and securities, including all charges of depositories and custodians, all expenses incurred by the Fund's "partnership representative" for purposes of the Partnership Tax Audit Rules or a similar role under applicable state or local tax law; (g) all communications expenses; (h) all expenses and costs associated with limited partner meetings; (i) all expenses and costs of the LP Advisory Committee; (j) brokerage commissions, custodial expenses, appraisal fees, and other investment costs incurred in connection with investments; (k) all technology, hardware, consulting and software expenses related to the development and maintenance of a property's or the Fund's specific investment and valuation models and systems (whether incurred prior to or after the initial closing); (l) expenses of liquidating the Fund and its subsidiaries; (m) all compliance related expenses, including the preparation and filing of Form PF, and all expenses incurred in connection with maintaining the New York City Property Fund II's books of account and the preparation of audited or unaudited financial statements required to implement the provisions of the Governing Documents or by any governmental authority with jurisdiction over the Fund (including fees and expenses of independent auditors, accountants and counsel, the costs and expenses of preparing and circulating reports (including through an electronic data room) and any fees or imposts of a governmental authority imposed in connection with such books and records and statements) and other routine administrative expenses of the New York City Property Fund II or its subsidiaries, including, but not limited to, the cost of the preparation of applicable tax returns of such Fund, cash management expenses, insurance expenses and legal fees and expenses; (n) any regulatory, licensing, filing or registration charges or fees levied against, or incurred by, such Fund, its affiliates and subsidiaries; (o) any loans made by the General Partner or its affiliates to such Fund and any interest due thereon; and (p) all fees and expenses incurred in connection with any indebtedness of the New York City Property Fund II or other credit arrangement (including any line of credit, loan commitment or letter of credit for such Fund or related to any investment (or any underlying asset)). All such expenses related to any parallel, feeder or alternative investment vehicle will also be deemed New York City Property Fund II Fund Expenses.

Organizational Expenses

Each Fund is responsible for the costs associated with organizing such Fund. Each Fund bears all legal and other organizational and offering expenses incurred in the formation of such Fund up to an amount specified in such Fund's Governing Documents. Any amounts incurred in excess of such cap, if any, will be borne by Taconic (and, in the case of the New York City Property Fund II, shared with the Sponsor), either directly, or indirectly through an offset against the management fee.

Other Fees

Taconic or its affiliate is entitled to receive the following fees from one or more of the Funds, as specified: a property management fee for both commercial/retail and residential properties; a

construction oversight and/or development fee; and a commercial/retail leasing oversight fee. More information about each of these fees is available in the respective Fund's Governing Documents.

Additionally, each Fund's General Partner is authorized and often causes the relevant Fund and/or its investment to engage Taconic Development Company LLC and/or Taconic Management Company LLC to perform certain services for which the applicable Fund or its investment would otherwise retain third parties, including, without limitation, leasing, property management, maintenance, construction management, and similar services. Each affiliate is compensated for services performed pursuant to the terms of its engagement, irrespective of a Fund's or the investment's performance, on the terms set forth in the relevant Governing Documents. Taconic Development Advisors LLC and Taconic Management Company LLC also perform services for third parties and non-clients and are expected to make a profit from the provision of such services. The fees and expenses received by Taconic Development Advisors LLC, Taconic Development Company LLC and Taconic Management Company LLC are charged on a case-by-case basis and are in addition to the management fee and carried interest and are not subject to offset.

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

Allocation of Fees and Expenses

In good faith and in its fair and reasonable discretion, Taconic determines on a case-by-case basis whether an expense should be borne by the Firm, a Fund, multiple Funds or a property. To the extent that the Governing Documents do not expressly provide for a method of allocation or to the extent that an invoice does not relate to a specific Fund, Taconic will typically allocate common expenses among multiple Funds on a pro rata basis and in accordance with its policies and procedures on expense allocation, unless another method is more equitable. Where one or more Funds to which an expense would otherwise be allocable are not permitted to receive an allocation based on the applicable Governing Documents, the portion of the expense attributable to such Fund(s) will be borne by Taconic.

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

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

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

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

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

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

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

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

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

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

Investment opportunities which satisfy the investment parameters of more than one Fund will be allocated in accordance with Taconic's policies and procedures regarding investment allocation and in accordance with the applicable Governing Documents. Taconic's procedures are designed to ensure that all investment decisions are made in accordance with Taconic's fiduciary duties to its Funds and without consideration of Taconic's (or its affiliates' or employees') pecuniary interest.

Taconic will not allocate investment opportunities based in whole or in part on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund.

Item 7 – Types of Clients

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

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

Taconic also permits certain limited partners and third parties to participate in co-investment opportunities which invest side-by-side in certain Fund investments. Opportunities to co-invest in an investment may be made available to any person or entity, including, without limitation, strategic investors, lenders, deal sources, other investment advisers, Fund limited partners, other persons or entities affiliated, associated or otherwise known to Taconic or its personnel and unrelated third parties. Co-investment opportunities may arise whenever Taconic has the opportunity for an investment in an existing or prospective property or investment and Taconic determines that all or a portion of the applicable opportunity is (i) larger than would be appropriate for a Fund to make on its own, (ii) not required to be offered to, or (iii) not appropriate for, a Fund. Such determinations are based on the provisions of the applicable Funds' Governing Documents and such other factors as Taconic considers in its sole discretion, including those specified in its policies on investment allocation and co-investments. For the Taconic NYC GP Fund, limited partners in the Fund are entitled to have the first opportunity to make co-investments in a Taconic NYC GP Fund investment in accordance with the Governing Documents of the Fund. Additionally, certain individuals who

source transactions may negotiate co-investment rights or co-investment priority rights as a component of their compensation or other arrangements with the relevant Fund(s). When co-investment opportunities are permitted, it is possible that the size of the investment opportunity otherwise available to Taconic's Fund(s) will be less than it would otherwise have been without the inclusion of such co-investors.

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

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

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

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

Taconic provides investment advisory services solely with respect to a variety of New York City real estate assets across multiple sectors. Taconic's strategy is to identify and invest in value-add and opportunistic development and redevelopment opportunities that take advantage of the shift in space-use and tenant demand driven by the long-arc megatrends highlighted below. These megatrends generally include technological advancement, urbanization and shifting age demographics. The impact of these megatrends creates both considerations and opportunities for real estate investors and owners as tenants, such as office occupiers, multifamily renters, retailers, and logistics companies, rethink the way they utilize and occupy space.

The Funds' focus on New York City allows the Firm to identify the impact of these megatrends at the local, submarket and micro-submarket level. The Funds generally seek to invest in value-add, development, and redevelopment opportunities where the Firm has identified (a) new and emerging neighborhoods and/or (b) assets in established locations whose uses have not been maximized to take advantage of shifting tenant demand.

These strategies may include the use of leverage, while presenting the risk of little or no income during the initial years of the asset. Taconic leverages its entrepreneurial approach, vertically integrated platform and extensive network of relationships to acquire, reposition, develop and operate real estate

assets. This network includes Taconic's team of seasoned real estate investment, development, construction and asset management professionals spread across Taconic Management Company LLC, Taconic Development Company LLC and Taconic Development Advisors LLC (who provide certain construction, development property management and support services to Taconic's properties and are generally responsible for executing the business plan developed by Taconic).

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

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

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

Potential limited partners should be aware that an investment in the Funds involves a high degree of risk and is suitable only for sophisticated limited partners for which such an investment is not a complete investment program. There can be no assurance that the Funds' investment objective will be achieved, or that a limited partner will receive a return of its capital. In addition, there will be occasions when the General Partners, Fund Board (if applicable), Taconic and its respective affiliates encounter potential conflicts of interest in connection with the Funds. The following considerations should be carefully evaluated before making an investment in the Funds. Different or new risks not addressed below will likely arise in the future and, therefore, the following list is not intended to be exhaustive. The risks described below do not purport to be a complete explanation of all the risks involved in acquiring interests of the Funds. A careful review of the Funds' private placement memorandum should be made by any investor considering an investment in such Fund.

Risks Related to All Funds

Lack of Management Rights: The Funds' limited partners will have no opportunity to control the day-to-day operations of the Funds, including investment and disposition decisions. Subject to certain investment limitations set out in each Fund's partnership agreement, each Fund's General Partner will have sole and absolute discretion in structuring, negotiating, purchasing, financing and eventually divesting investments on behalf of the Funds. Consequently, prospective investors will not be able to evaluate for themselves the merits of particular investments prior to or after the limited partner's subscription for interests or prior to or after the Funds' investment in a particular investment, nor will

limited partners be entitled to participate in any manner in the decisions regarding financing or divestiture of investments. Even in situations where a Fund's limited partners vote on matters affecting such Fund, a small group of limited partners with relatively large capital commitments could have the requisite percentage of votes to determine the outcome of such decisions. The concentrations of voting power will change as the Funds conduct closings or limited partners transfer their interests. Such concentration of voting power, if it occurs, could have the effects of limiting the ability of limited partners with relatively smaller capital commitments to have meaningful voting power on matters requiring a vote of the limited partners.

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

Risks Relating to Due Diligence and Conduct at Portfolio Properties. Before making investments, the Funds will typically conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence generally entails evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties are sometimes be involved in the due diligence process to varying degrees depending on the specific investment. Such involvement of third-party advisors or consultants have the potential to present a number of risks primarily relating to the Funds' or Taconic's reduced control of the functions that are outsourced. In addition, if the Funds and/or Taconic are unable to timely engage third-party providers, their ability to evaluate and acquire investments could be adversely affected. When conducting due diligence and making an assessment regarding an investment, the Funds and/or Taconic will rely on the resources available to it, including information provided by the seller and, in some circumstances, third-party investigations. There can be no guarantee that the due diligence investigation that the Funds and/or Taconic carry out with respect to any investment opportunity will reveal or highlight all relevant facts that would be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. Conduct occurring in respect of portfolio properties, even activities that occurred prior to the Funds' investment therein, could have an adverse impact on the Funds.

Risks in Effecting Operating Improvements. In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of the Fund to restructure and effect improvements in the operations of an investment. The activity of identifying and implementing restructuring programs and operating improvements at portfolio investments entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements.

Lack of Diversification; Dependence on Performance of Certain Investments. The Funds intend to participate in a limited number of investments which will be concentrated in New York City and there is a possibility that such investments will be concentrated in a few sectors and, as a consequence, the aggregate return of the Funds could be materially and adversely affected by the unfavorable performance of a single investment or geographical location. In order for the Funds to achieve attractive returns if one or more investments underperform, one or more of a Fund's other investments must perform well above expectations to avoid a loss by such Fund on its investments in the aggregate. There can be no assurance that this will be the case. In addition, if a Fund is unable to raise its target capitalization, such Fund is likely to make fewer investments, which would result in a greater concentration of that Fund's capital.

Lack of Liquidity of Investments and Long-Term Investments. Although investments by the Funds will likely generate current income, the return of capital and the realization of gains, if any, from any investment of the Funds generally will occur only upon the partial or complete disposition of such investment. Before such time, there will generally be no current return on investments. Furthermore, the expenses of operating the Funds (including the annual management fee payable to Taconic) have the potential to exceed a Fund's income, thereby requiring that the difference be paid from such Fund's capital, including, without limitation, unfunded capital commitments.

While the Funds will seek to make investments for which there are clear exit strategies, it is not generally expected that the Funds will be able to dispose of any investment for a number of years after an investment is made, during which time such Fund will potentially be exposed to unfavorable developments affecting their investments. If a Fund is unable to realize on its investments in a timely fashion, the returns to limited partners could be materially adversely affected.

Many of the investments to be made by the Funds are likely to be illiquid and are subject to industry cycles, downturns in demand, market disruptions and a lack of available capital for potential purchasers. Illiquidity is likely to result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by a Fund. Dispositions of investments are often subject to contractual, governmental and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. The restrictions on the Funds' ability to dispose of investments could have an adverse effect on its financial position, results from operations, cash flows, ability to satisfy its debt obligations and repay indebtedness and ability to pay distributions.

Defaulting Limited Partners. If a limited partner fails to timely pay the capital contributions owed to a Fund, such limited partner may be required to pay significant interest and may be required to forfeit all or a portion of its capital account and interest. A limited partner with insufficient funds to meet its capital commitment obligations may, therefore, incur significant losses. Further, as a result of a Fund's limited partners' failure to make a capital commitment when due, such Fund may be unable to pay its obligations when due. As a result, a Fund may be subject to significant penalties that could materially adversely affect the returns to all limited partners.

Environmental Matters. Environmental laws, regulations and regulatory initiatives play a significant role in certain industries and can have a substantial impact on investments in these industries. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. Certain industries will continue to face considerable oversight from environmental regulatory authorities and significant influence from non-governmental organizations and special interest groups. The Funds will in some cases invest in investments that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on investments or potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the Funds' investments will not cause injury to the environment or to people under all circumstances or that the Funds' investments will not be required to incur additional unforeseen environmental expenditures. Environmental hazards could expose investments to material liabilities for property damages, personal injuries or other environmental harm, including costs of investigating and remediating contaminated properties. Moreover, failure to comply with regulatory or legal requirements could have a material adverse effect on investments and there can be no assurance that investments will at all times comply with all applicable environmental laws, regulations and permit requirements.

In recent years, the value of real estate has also sometimes been adversely affected by the presence of hazardous substances or toxic waste on, under, or in the environs of the real estate. It is possible that a substance (or the amount of a substance) will be considered safe at the time the real estate is purchased but later classified by law as hazardous. Under environmental laws, owners of properties have been liable for substantial expenses to remedy chemical contamination of soil and groundwater at their real estate even if the contamination predated their ownership. Although the Funds will exercise reasonable efforts to assure that no real estate is acquired that gives rise to such liabilities, environmental contamination cannot always be detected through readily available means, and the possibility of such liability cannot be excluded.

Activities related to the Funds' investments could also result in material personal injury or property damage claims. Any noncompliance with these laws and regulations could subject the Funds and its properties to material administrative, civil or criminal penalties or other liabilities. Under certain circumstances, environmental authorities and other parties will seek to impose personal liability on the limited partners of a partnership (such as the Funds) subject to environmental liability. However, a limited partner can reduce its risk of such personal liability by avoiding activities with respect to the Funds' investments other than as specifically contemplated by the Governing Documents.

Risks upon Disposition of Investments. In connection with the disposition of an investment, a Fund will often be required to make certain representations and disclosures about such investment and indemnify the purchasers of such investment to the extent that any such representations or disclosures turn out to be incorrect, inaccurate or misleading or with respect to certain potential liabilities.

These representations and disclosures can result in the incurrence of contingent liabilities for which a Fund will, in some cases, be required to establish reserves or escrow accounts. In that regard, it is similarly possible that limited partners will be required to return amounts distributed to them to fund such obligations of the Funds, including indemnity obligations, subject to certain limitations set forth in the Governing Documents. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each limited partner that receives a distribution in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to a Fund.

Joint Venture Partners; Joint Venture Risks. The Funds expect to co-invest with affiliated and unaffiliated third parties through partnerships, joint ventures or other entities in certain investments. Additionally, in some cases the Funds expect to make investments in operating companies controlled by persons other than the Funds, General Partners and Taconic. In such cases, the Funds will likely either share control or have limited control over these investments and, therefore, will have only a limited ability to protect its interests in such investments.

Such investments generally involve risks not present in investments where a third party is not involved, including the possibility that a co-investor will have financial difficulties resulting in a negative impact on such investment or that the Funds will be required to accept terms for the investment that are less favorable than those that could be negotiated by the Funds if it were the lead investor, such as economic or business interests or goals which are inconsistent with those of the Funds or contrary to the Funds' interests. It will generally be more difficult for the Funds to sell its interest in an investment with any joint venture or entity with other owners than to sell its interest in other types of investments, and other investor groups often have certain "drag along" rights or transfer restrictions, that affect a Fund's exit strategy from investments. Co-venturers or partners are likely to in some cases also have veto powers with respect to major decisions concerning the management and disposition of the investment, increasing the risk of deadlocks. A deadlock could adversely affect investment returns or value or require the Funds to use its assets to purchase the interest of the co-venturer or partner under agreements providing for the forced sale of such interest.

In the case of co-investments that are pursued but ultimately aborted, the Funds will bear the costs, fees or expenses that would have been borne directly or indirectly by the relevant co-investor(s) if the relevant co-investment had been completed. Considerable expense can be incurred without the completion of an acquisition, disposal or financing in connection with an investment. All such expenses will be payable by the Funds as dead deal costs and will have an adverse impact on the Funds' return on investment.

Risks of Multi-Step Acquisitions. In the event a Fund chooses to effect a transaction by means of a multi-step acquisition, there can be no assurance that the remainder (*i.e.* follow-on steps in such acquisitions) can be successfully acquired. This could result in a Fund having only partial control over the investment or partial access to its cash flow to service debt incurred in connection with the acquisition.

Cyber Security Breaches and Identity Theft. Taconic and each of its affiliates' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures,

computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Taconic and its affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it is possible that Taconic will have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Taconic, the Funds' or a property's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to limited partners (and the beneficial owners of limited partners). Such a failure could harm Taconic, the Funds' or a property's reputation, subject the any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

Investments in Undervalued Assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. If the Funds invest in undervalued assets, it is possible that the returns generated from the Funds' investments will not adequately compensate limited partners for the business and financial risks assumed. A limited partner should be aware that there is a possibility that it will lose all or part of its investment in the Funds. In some cases, the Funds could be forced to sell, possibly at a substantial loss, assets which it believes are undervalued, if they are not in fact undervalued. In addition, there is a potential that Funds will be required to hold such assets for a substantial period of time before realizing their anticipated value.

Follow-On Investments. In some cases, the Funds will be called upon to provide additional funding with respect to a follow-on investment. There can be no assurance that the Funds will wish to make follow-on investments or that it will have sufficient funds to do so.

Any decision by a Fund not to make a follow-on investment or its inability to make one is likely to have a substantial negative effect on an investment that is in need of such a follow-on investment or will likely diminish the Fund's ability to influence the future development of such an investment. For instance, in the event that an investment acquires additional capital from sources other than a Fund, including without limitation from a follow-on fund or co-investment vehicle, such Fund's ownership interest in such investment will be reduced. In addition, the percentage of the Fund's ownership interest that is reduced will in certain circumstances be greater than the proportion of the forgone follow-on investment amount relative to the overall value of the investment.

Hedging Strategies and Risks. The Funds, directly or indirectly, may opt to use a variety of financial instruments such as derivatives, options, swaps, caps and floors, both for investment purposes (that have the potential to entail greater than ordinary investment risks) and for risk management purposes in order to: (i) protect against possible changes in the market value of a Fund's investments resulting

from fluctuations in the securities markets and changes in interest rates; (ii) protect a Fund's unrealized gains in the value of the Fund's investments; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on a Fund's investments; (v) hedge the interest rate or currency exchange rate on any of a Fund's liabilities or assets; or (vi) for any other reason that Taconic deems appropriate.

The Funds are not required to attempt to use hedging strategies and, for various reasons, may determine not to do so. The Funds may not anticipate a particular risk so as to hedge against it, and while a Fund may enter into hedging transactions in seeking to reduce risk, such transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transaction. For a variety of reasons, a Fund may not seek to establish a perfect correlation in its hedging transactions. Such imperfect correlation may prevent a Fund from achieving the intended hedge or expose a Fund to risk of loss. The success of the hedging strategy of a Fund is subject to such Fund's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Fund's hedging strategy is also subject to such Fund's ability to recalculate continually, readjust and execute hedges in an efficient and timely manner. Moreover, it should be noted that the investments always will be exposed to certain risks (including unidentified or unanticipated risks) that cannot be hedged, such as certain credit risk, "liquidity" risk and "widening" risk.

Certain hedging arrangements have the potential to create for the Funds, Taconic or a General Partner a registration or exemption obligation with the CFTC or other regulator.

Secondary Financing. When selling investments, it is possible that a Fund will find it necessary or desirable to provide secondary financing to purchasers. In the event a Fund find it necessary or desirable to provide such secondary financing, a liquidation of the Fund could be delayed beyond the anticipated term of the Funds until the proceeds are collected. In addition, the Funds will be subject to the risk of a default by the buyer with respect to any such secondary financing, and will be subordinated to any primary financing obtained by the buyer.

Fraud. The Funds could be subject to losses due to fraudulent and negligent acts on the part of third parties, including, without limitation, borrowers, brokers, sellers and vendors. For example, of paramount concern in purchasing debt securities and obligations is the possibility of material misrepresentation or omission on the part of the borrower or on the part of the seller of such securities and obligations. The Funds are likely to rely upon the accuracy and completeness of representations made by such parties, but cannot guarantee such accuracy or completeness.

Counterparty Risk. It is expected that virtually all of the Funds' investment purchases and dispositions will transpire in private markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as members of "exchange-based" markets. Differing market standards for counterparty credit evaluation have the potential to expose the Funds to the risk that a

counterparty will not complete or settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (irrespective of whether bona fide) or because of a credit or liquidity problem, thus causing such Fund to suffer a loss. Such “counterparty” risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a particular counterparty or group of counterparties. The Funds are not restricted from dealing with any particular counterparty or from concentrating their transactions with a small number of counterparties. Despite the prospect that the General Partners’ risk management process will incorporate an assessment of counterparty risk, there can be no assurance that such assessment will be accurate. In addition, although in the majority of their purchase and sale transactions the Funds expect to transact with well-capitalized credit worthy counterparties, there can be no assurance that such will be the case in every transaction (or that the counterparties will perform their obligations). Moreover, there can be no guarantee that the Firm’s internal credit assessment function will evaluate the creditworthiness of the Funds’ counterparties. The ability of the Funds to transact business with any one counterparty or number of counterparties, the lack of any meaningful and independent evaluation of such counterparty’s or counterparties’ financial capabilities and the absence of a regulated exchange market to facilitate settlement have the potential to increase the potential for losses by the applicable Fund.

Uncertain Economic, Social, and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence can lead to or extend a localized or global economic downturn. Furthermore, such confidence can be adversely affected by local, regional or global health crises including but not limited to the rapid and pandemic spread of novel viruses commonly known as SARS, MERS, and COVID-19 (Coronavirus). A climate of uncertainty, including the contagion of infectious viruses or diseases, may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit in an uncertain environment or economic downturn may have an adverse effect on real estate and the economy generally and on the ability of the Funds to execute their investment strategy and to receive an attractive multiple of earnings on the disposition of its investments. This may slow the rate of future investments by the Funds and result in longer holding periods for investments.

Certain tenants and potential tenants of properties owned by the Funds may operate in industries which could be adversely affected by the disruption to business caused by the above described localized or global events. Manufacturers of goods may experience a downturn in production due to quarantines, suspensions of business and temporary closures of factories and warehouses. This may lead to a decline in goods (imported or otherwise) which may negatively impact the business of certain tenants and potential tenants of the Funds’ properties and thus may adversely affect the Funds’ investments.

Potential contagion of infections, viruses and diseases may also result in temporary or long lasting changes to behavior, culture and habits, which could have a negative impact on the real estate market and the economy generally. For example, it may result in an increase in telecommuting or remote working and/or bans on large gatherings or public and private events like conferences. The foregoing could cause a decrease in retail foot traffic, use of event spaces and restaurant patronage as people avoid population centers. An increase in telecommuting may reduce demand for office space and negatively affect local business, such as restaurants, that cater to commuting workers resulting in a decrease in demand for retail space and an overall negative impact on the economy. New York City may be especially affected in the event of an economic downturn or any contagion of infectious viruses or diseases given its high population density and the importance of the financial sector to the local economy.

Recycling of Capital: Due to the ability of a Fund to recycle commitments (within certain parameters), there is a possibility that a limited partner of such Fund will, in the aggregate, be required to fund an aggregate amount in excess of its commitment during the term of the Fund.

Litigation: In the ordinary course of its business, a Fund or its investment vehicles can become subject to litigation from time to time. In some cases, the outcome of such proceedings could have the ability to materially adversely affect the value of a Fund and/or continue without resolution for long periods of time. The costs of such litigation will be borne by the applicable Fund and its limited partners. While some litigation is expected to be covered by insurance and defended by insurance counsel, any litigation is likely to consume substantial amounts of the applicable General Partner's and Taconic's time and attention, and that time and the devotion of these resources to litigation have the potential, at times, to be disproportionate to the amounts at stake in the litigation.

Real Estate Risks Generally: Real estate historically has experienced significant fluctuations and cycles in value, and specific market conditions will result in reductions in the value of real properties in which the Funds own interests. The marketability and value of the Funds' investments are subject to various real estate risks, including: (i) changes in general or local economic conditions; (ii) changes in the supply of, or the demand for, competing properties in a geographic area; (iii) changes in interest rates; (iv) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (v) unavailability of mortgage funds that would render the sale of a property difficult; (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in real estate tax rates and other operating expenses; (viii) energy costs and energy supply shortages; (ix) various uninsured or uninsurable risks; and (x) acts of God and natural disasters. General economic conditions in the United States and/or New York City, as well as conditions of international financial markets, have the potential to adversely affect operations of the Funds. The value of the Funds' investments and the cash flow to the Funds would likely fluctuate due to these factors and others and would be expected to be significantly diminished in the event of a downturn in the market for real estate and real estate-related assets. Such risks have the potential to materially and adversely affect operating results or make the sale or refinancing of investments difficult

or unattractive and the possibility of loss of capital will exist. Prospective investors should not subscribe unless they can readily bear the consequences of such loss.

Changes to Office Space Utilization. There is a risk that changes in technology and business culture will reduce or eliminate the need for traditional office space. There is a growing trend towards utilizing co-working spaces and shared and collaborative offices, particularly by early stage companies and entrepreneurs. There is also a risk that demand for office space will be negatively impacted by technologies that facilitate the ability to work remotely. Developments in transportation could also impact the demand for traditional office space. All or any of the foregoing factors, or other similar or unanticipated developments in technology and business culture could reduce demand for traditional office space and have a negative impact on the Funds' performance.

Certain Considerations Relating to Retail Centers. The Funds, in some cases, make investments in retail centers with a tenant that occupies a large area of such retail center (commonly referred to as an anchor tenant). A lease termination by an anchor tenant could impact leases of other tenants. For example, other tenants will, in certain cases, be entitled to modify the terms of their existing leases in the event of a lease termination by an anchor tenant, or the closure of the business of an anchor tenant that leaves its space vacant even if the anchor tenant continues to pay rent. Additionally, major tenant closures are likely to result in decreased customer traffic, which would lead to decreased sales at other stores and resulting lease defaults or terminations.

Competition in the Multifamily Residential Market. There are numerous housing alternatives that compete with the Funds' investments in attracting residents. These include other apartment communities, condominiums and single-family homes that are available for rent or for sale in the markets in which the Funds' investments are located. Competitive housing in a particular area and the increasing affordability caused by lower housing prices, mortgage interest rates and government programs to promote home ownership could adversely affect the ability of the Funds' investments to retain their respective residents, lease apartment homes and increase or maintain rents. If the demand for multifamily residential property is reduced or if competitors develop or acquire competing properties, rental rates would also be expected to drop, which would likely have a material adverse effect on the financial condition and results of operations of the Funds' investments. The Funds also face competition from other real estate investment trusts, businesses and other entities in the acquisition, development and operation of apartment communities. This competition is likely to result in an increase in costs and prices of apartment communities that the Funds acquire or develop.

Rent Stabilized Multifamily Properties. Numerous municipalities, including New York City where the Funds' properties will mainly be located, impose rent control or rent stabilization. The rent stabilization regulations which are generally applicable to some of the Funds' investments set maximum rates for annual rent increases, entitle eligible tenants to receive required services and entitle eligible tenants to have their leases renewed. The limitations established by present or future rent stabilization regulations can impair the Funds' ability to maintain rents at market levels.

Additionally, the Funds can be subject to claims from tenants that the rent charged by the Funds' properties exceeds the amount permitted by rent stabilization. The application of rent stabilization to the Funds' investments could therefore limit the proceeds from such investments and also subject the Funds to claims from tenants.

Risks Associated with Industrial Real Estate Investments. Investments in industrial real estate are subject to the risks that affect the industrial environment generally, including seasonality, the willingness of tenants to lease space in the properties in which the Funds hold interests, tenant bankruptcies, changes in economic conditions, consumer confidence, political developments and terrorist activities. Any one or more of these factors could adversely affect the Funds' results of operations or financial condition.

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

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

Risks Associated with Property Acquisitions. Real estate acquisition activities are subject to many risks. The Funds might acquire properties through foreclosure or interests in properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition or compliance with zoning laws, building codes or other legal requirements. In each case, the Funds' acquisition of real estate will, from time to time, be without any recourse, or with only limited recourse, with respect to unknown liabilities or conditions. As a result, if any liability were asserted against the Funds relating to those properties, or if any adverse condition existed with respect to the properties,

the Funds might have to pay substantial sums to settle or cure it, which could adversely affect the cash flow and operating results of the Funds.

Risks Associated with Investments in Land and New Developments. The Funds will sometimes acquire direct or indirect interests in undeveloped land or underdeveloped real property, and such properties are often non-income producing. To the extent that the Funds invest in such assets, it will be subject to the risks normally associated with such assets and development activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of the Funds, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the Funds.

Risks Associated with Ground Lease Investments. The Funds expect to invest from time to time in real estate properties that are subject to ground leases. As a lessee under a ground lease, the Funds will be exposed to the possibility of losing the property upon termination, or an earlier breach by the Funds, of the ground lease, which would adversely impact the Funds' investment performance. Furthermore, ground leases generally provide for certain provisions that limit the ability to sell certain properties subject to the lease. In order to assign or transfer rights and obligations under certain ground leases, the Funds will generally need to obtain consent of the landlord of such property, which, in turn, could adversely impact the price realized from any such sale.

Risks Associated with Investment in Troubled Real Estate. At times, the Funds will make substantial investments in nonperforming, underperforming, other troubled real estate which involve a degree of financial risk and are experiencing or are expected to experience severe financial difficulties and there can be no guarantee that such financial difficulties will ever be overcome and, as a result, would likely in such cases lead to a loss of some or all of the Funds' investment. In some cases, the investments have been originated by financial institutions that are insolvent, in serious financial difficulty, or no longer in existence; and, as a result, there is a possibility that the standards by which such investments were originated, the recourse to the selling institution, or the standards by which such investments are being operated will be adversely affected.

Risks Associated with Natural Disasters. Natural disasters and severe weather such as hurricanes or floods have the potential to result in significant damage to the Funds' investments. The extent of the Funds' casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. Given the Funds' geographic concentration of exposure to New York City, a single catastrophe or destructive weather event (such as a hurricane) affecting New York City would have a significant negative effect on the Funds.

Climate Change May Adversely Affect the Fund's Performance. To the extent that climate change does occur, there is a possibility that New York City will experience extreme weather and changes in precipitation

and temperature, all of which can result in physical damage or a decrease in demand for the Funds' investments located in the areas affected by these conditions. Should the impact of climate change be material in nature or occur for lengthy periods of time, the Funds' financial condition would be adversely affected. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties in order to comply with such regulations.

Regulatory and Other Consents. It is likely that the real estate projects in which the Funds invest will require the approval of governmental authorities and, in some cases, consent of third parties. There can be no assurance that any such approvals and consents will be obtained on a timely basis, if at all. The need to obtain such approvals and consents and otherwise to comply with regulatory requirements can cause significant delays in any renovation or development process, exacerbating the risk that changes in the local market will cause the investment returns to be adversely impacted.

Risks of Engaging in Development, Renovation or Maintenance Activities. The Funds often own interests in properties that require renovation or deferred maintenance, or even developments which are non-income producing. Although the Funds intend to contract with companies that are experienced in handling such renovation, deferred maintenance, or development projects, as applicable, it will be subject to various risks, including the risk that there are unanticipated delays in the completion of such projects due to factors beyond the control of the Funds. These factors can include, but are not limited to: (i) strikes; (ii) adverse weather; (iii) changes in building plans and specifications; (iv) material shortages; and (v) increases in the costs of labor and materials. Delays in completing any project will cause corresponding delays in the receipt of related operating income and, consequently, the distribution of any cash flow by the Funds with respect to such project. In addition, the estimated costs and schedules of developing and constructing buildings and related landscaping can be affected by changes in construction plans and specifications or by other unforeseen events, any of which have the potential to cause additional expenses to be incurred, which likely will be borne by the Funds. Any delay in completing a project will likely result in increased interest and construction costs, the potential loss of purchasers or tenants and the possibility of defaults under project financings. There is also the risk that inadequate oversight over local contractors, architects or engineers will result in poor quality construction or the diversion of funds intended for construction, and the quality of construction in such instances generally would not be commensurate with appropriate standards, resulting in potential difficulties in obtaining all authorizations necessary for operation. Because of the long lead time between the inception of a project and its completion, there is a possibility that a well-conceived project will, as a result of changes in the real estate market, economic and other conditions prior to its completion, result in losses to the Funds or substantially lower returns than were anticipated at the beginning of such project.

Properties under development or renovation typically receive little or no cash flow from the date of acquisition through the date of completion of development and can also experience operating deficits after the date of completion.

Furthermore, newly developed or newly renovated properties do not have the operating history that would allow the Funds to make objective pricing decisions in acquiring these properties, and the purchase prices of these properties are expected to be based upon projections as to the expected operating results of such properties, subjecting the Funds to risks that such properties will not achieve anticipated operating results or will not achieve these results within anticipated time frames. Additionally, development or redevelopment projects can carry an increased risk of litigation with contractors, subcontractors, suppliers, partners and others and are sometimes financed under lines of credit or other forms of secured or unsecured financing.

In addition, investments in new development activities could be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which the Funds invest or with whom the Funds do business, there is a risk that the Funds will suffer a partial or total loss of capital invested in that investment. There can be no assurance that any such losses will be offset by gains (if any) realized on the Funds' other investments.

Operational Risks in Effecting Improvements. In some cases, the success of the Funds' investment strategy will depend, in part, on the ability of the Funds to restructure and effect improvements in the operations of the Funds' investment. The activity of identifying and implementing restructuring programs and operating improvements entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements.

In addition, the Funds' investments will be subject to various risks which can cause fluctuations in occupancy, rental rates, operating income and expenses or which can render the sale or financing of its properties difficult or unattractive. For example, following the termination or expiration of a tenant's lease there will often be a period of time before the Funds will begin receiving rental payments under a replacement lease. During that period, the Funds will continue to bear fixed expenses such as interest, real estate taxes, maintenance and other operating expenses. In addition, declining economic conditions would generally be expected to impair the Funds' ability to attract replacement tenants and achieve rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants will, in some cases, require the Funds to make capital improvements to properties which would not have otherwise been planned. Any unbudgeted capital improvements that the Funds undertake will divert cash that would otherwise be available for distribution to limited partners. Ultimately, to the extent that the Funds are unable to renew leases or re-let space as leases expire, decreased cash flow from tenants will result, which could adversely impact the Funds' return on investment.

The Funds are, in certain cases, required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the Funds will have funds available to correct those defects or to make those improvements. In acquiring a property, the Funds occasionally agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed on that

property. These factors and others that could impede the Funds' ability to respond to adverse changes in the performance of its properties could significantly affect the Funds' financial condition and return on investment. In some instances, the principal asset of the lessee of a Funds' investment property will be only the lessee's improvements thereon, or the liability of the lessee will be limited to its interest in such improvements. In those cases, the Funds will be required to rely on the lessee's equity interest in the improvements for its security.

In the event of a default by a lessee or other premature termination of a lease, there is a risk that the Funds will experience delays in enforcing its rights as lessor, incur substantial costs in protecting its investment and experience an impairment of value of its investment.

Risks Associated with Property Vacancies. Investment in value-add properties or other types of development properties often include properties with significant vacancies at the time of acquisition. Prolonged vacancies generally negatively affect investment returns. In addition, the resale value of the investment could be diminished because the market value of such investment property will depend on the value of the cash flow generated by the leases associated with that property. Such a reduction on the resale value of a property could also reduce the return on the Funds' investment.

Need for Skillful Property Management. The successful operation of a real estate project depends upon the property manager's performance and viability. The property manager is often responsible for (a) responding to changes in the local market; (b) operating the property and providing building services; (c) managing operating expenses; and (d) ensuring that maintenance and capital improvements are carried out in a timely fashion. Properties deriving revenues primarily from short-term sources, such as short-term or month-to-month leases, are generally more management intensive than properties leased to creditworthy tenants under long-term leases. None of the Funds, the General Partners, Taconic or any affiliate of the foregoing makes any representation or warranty as to the skills of any present or future managers of the Funds' investment properties.

Unavailability of Insurance Against Certain Catastrophic Losses. Investments in industrial real estate may be subject to catastrophic events and other force majeure events. These events could include fires, floods, earthquakes, assertions of eminent domain, strikes, wars, riots, terrorist acts, acts of God and similar risks. Among other potentially detrimental effects, these events could harm the Funds' financial condition, results of operations and ability to make distributions to its limited partners. While the Funds will seek to utilize insurance and other risk management products (to the extent available on commercially reasonable terms) to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, such coverage and strategies may not always be practical, feasible or determined by a Fund to be cost effective in the context of the potential risk. Moreover, it is not be possible to insure against all risks, and insurance proceeds may be inadequate. In general, losses related to terrorism are becoming more difficult and expensive to insure against, as most insurers are excluding terrorism coverage from their all-risk policies, as further described below. The Funds will evaluate the availability and cost of additional insurance coverage for the claims described herein and if a Fund purchase insurance for these occurrences, the cost could have an adverse effect

on such Fund. If a major uninsured loss or loss in excess of insured limits occurs, a Fund could lose both invested capital in and anticipated future revenues from an affected investment and, in the case of debt that is recourse to a Fund, the Fund would remain obligated for such debt. The Funds will make risk management and other decisions in good faith taking into account such factors as determined appropriate, provided, however, that policies and the level of insurance may vary as between the Funds (which may have the same or different investment objectives).

Environmental Liabilities. The Funds will in some cases be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Under various laws, ordinances and regulations, an owner of real property is often liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. In some cases, such laws impose joint and several liabilities, which has the potential to result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability can be imposed without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, will adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Funds' return from such investment. There is a risk that environmental claims with respect to a specific investment will exceed the value of such investment, and under certain circumstances, subject the other assets of a Fund to such liabilities. There can be no assurances that the costs of complying with environmental laws and regulations and defending personal injury and property damage claims based on the presence of hazardous or toxic substances will not have a material adverse effect on the Funds' investments. In addition, changes in environmental laws or in the environmental condition of an asset have the potential to create liabilities that did not exist at the time of acquisition of an investment and that could not have been foreseen.

In addition, many insurance carriers are excluding asbestos-related claims and most mold-related claims from standard policies. Each Fund will evaluate the availability and cost of additional insurance coverage for such claims. If a Fund decides to purchase insurance for these occurrences, the cost could have an adverse effect on such Fund's results of operations. If a major uninsured loss or loss in excess of insured limits occurs, a Fund could lose both invested capital in and anticipated future revenues from an affected investment and, in the case of debt that is recourse to such Fund, the Fund would remain obligated for such debt.

Harmful Mold and Other Air Quality Issues. When excessive moisture accumulates in buildings or on building materials, mold can grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to

radon, airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of the Funds' properties could require the Funds to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose the Funds to liability from its tenants, employees of its tenants and others if property damage or health concerns arise. Further, many insurance carriers are excluding asbestos-related claims and most mold-related claims from standard policies. Each Fund will evaluate the availability and cost of additional insurance coverage for such claims. If a Fund decides to purchase insurance for these occurrences, the cost could have an adverse effect on the Fund's results of operations. If a major uninsured loss or loss in excess of insured limits occurs, the Fund could lose both invested capital in and anticipated future revenues from an affected investment and, in the case of debt that is recourse to a Fund, such Fund would remain obligated for such debt.

Possibility of Future Terrorist Activity. In the current environment and given the Funds' geographic concentration of exposure to New York City, there is a risk that one or more of the Funds' investments will be directly or indirectly affected by terrorist attack. An attack could have a variety of adverse effects on the business and performance results of one or more of the Funds' investments or subsequently acquired investments, including risks and costs related to the destruction of property, inability to use one or more properties for their intended uses for an extended period, decline in rents achievable or property value, and injury or loss of life, as well as litigation related thereto. In some cases, such risks will not be insurable or subject to increased insurance premiums and deductibles that the Funds believes are not appropriate. It is not possible to predict the severity of the effect that any such future events would have on the financial and insurance markets and economy or the Funds' investments. In addition to the potential direct impact of any such future act, future terrorist attacks and the anticipation of any such attacks could have an adverse impact on the financial and insurance markets and the New York City economy, thus harming demand for and the value of the Funds' investments.

Insurance May Not Cover All Losses. Uninsured and underinsured losses could harm the Funds' financial condition, results of operations, and ability to make distributions to its limited partners. Various types of losses, such as losses due to wars, riots, nuclear reaction, terrorist acts, earthquakes, floods, hurricanes, pandemics, pollution or environmental matters, generally are either uninsurable (or not economically insurable (*i.e.*, insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments)) or are subject to insurance coverage limitations, such as large deductibles or co-payments or insurance only being available in amounts less than the full market value or replacement cost. In certain instances, the benefits of insurance will be less than the Funds considers appropriate for the cost of such insurance, therefore even if there is an insurer in the market it is possible that a Fund will decide not to procure such insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Funds could lose all or a portion of the capital it has invested in an investment, as well as the anticipated future revenue from the investment. In that event,

the Funds might nevertheless remain obligated for any notes payable or other financial obligations related to the investment, in addition to obligations to the Funds' ground lessors, franchisors and managers. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the portfolio properties pledged as collateral for loans, and other factors might also keep the Funds from using insurance proceeds to replace or renovate an investment after it has been damaged or destroyed. Under those circumstances, the insurance proceeds the Funds receive might be inadequate to restore the Funds' economic position on the damaged or destroyed investment.

Americans with Disabilities Act and Similar Laws. Under the US Americans with Disabilities Act of 1990, as amended (the "ADA"), all public accommodations in the US must meet US federal requirements related to access and use by disabled persons. If one or more of the Funds' investments do not comply with the ADA, the Funds will typically be required to incur costs to bring them into compliance, and there can be no guarantee that such expenses were foreseen at the time of acquisition. Future changes to US federal, state, local and non-U.S. laws will also generally require modifications to the Funds' investment properties, or restrict the Funds' ability to renovate its investment properties. The Funds cannot predict the ultimate cost of compliance with the ADA or other legislation. If the Funds incurs substantial costs to comply with the ADA and any other similar legislation, the Funds' financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy its debt service obligations could be materially adversely affected.

Litigation at the Property Level. The acquisition, ownership and disposition of real properties carry certain specific litigation risks, which could result in losses to the Funds. There is a risk that litigation will be commenced with respect to a property acquired by the Funds or their subsidiaries in relation to activities that took place prior to or subsequent to a Fund's acquisition of such property. In addition, at the time of disposition for an individual property, there is a risk that a potential buyer will claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosures made, if such buyer is passed over in favor of another as part of a Fund's efforts to maximize sale proceeds. Similarly, there is a risk that successful buyers will later sue a Fund under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems whether or not uncovered in due diligence.

Risks Associated with Construction Loans. In some cases the Funds will acquire loans for the construction of investment properties. Construction lending generally involves a higher degree of risk than other types of lending due to a variety of factors, including generally larger loan balances, the dependency on successful completion of a project, the dependency upon the successful operation of the project (such as achieving satisfactory occupancy and rental rates) for repayment, the difficulties in estimating construction costs, and loan terms which often do not require full amortization of the loan over its term and, instead, provide for a balloon payment at stated maturity.

Risks of Acquiring Real Estate Loans and Participations. The Funds expect to in certain instances acquire real estate loans. There is a chance that real estate loans acquired by the Funds will be at the time of their acquisition, or will become after acquisition, nonperforming for a wide variety of reasons. Such nonperforming real estate loans could require a substantial amount of workout negotiations and/or restructuring, which will often entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement “takeout” financing will not be available. Purchases of participations in real estate loans raise many of the same risks as investments in real estate loans and also carry risks of illiquidity and lack of control. It is possible that the Funds will find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by the Funds. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims, and defenses against the holder of a real estate loan.

Special Mortgage Loan Risks. The Funds expect, under certain conditions to invest in sub-performing and non-performing mortgage loans. The value of the real estate that underlies mortgage loans is subject to market conditions. Changes in the real estate market have the potential to adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation. In addition, adverse changes in real estate values increase the probability of default, as the incentive of the borrower to retain equity in the property declines. Loans can become non-performing for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged (and, therefore, the property is unable to generate sufficient income to meet its debt service payments), is poorly managed, construction has not been fully completed or is in need of rehabilitation. Such non-performing loans typically require a substantial amount of workout negotiations and/or restructuring, which entail, among other things, costs and expenses, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan.

Risks Associated with Commercial Mortgage Loans Specifically. The Funds are authorized to invest in commercial mortgage loans. The value of the Funds’ commercial mortgage loans will be influenced by the historical rate of delinquencies, defaults experienced on the commercial mortgage loans and the severity of loss incurred as a result of such defaults, as well as market conditions. The factors affecting delinquencies, defaults and loss severity include (i) industry sector and economic and real estate market conditions (e.g., multifamily, retail, office), (ii) the terms and structure of the mortgage loans, and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan. Commercial loans generally expose a lender to a greater risk of loss through delinquency and foreclosure since the ability of the borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property, rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower’s other assets or personal guarantees. Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the

remaining debt amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligations. Exercise of foreclosure and other remedies often involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the Funds could become liable upon taking title to an asset for environmental or structural damage existing at the property.

Risks Associated with Mezzanine Loans. The Funds are authorized to make or invest in mezzanine loans. Mezzanine loans typically are not secured by real property interests and are subordinate to other debt obligations of the borrower, and therefore subject to greater risk of loss than senior debt. Mezzanine loans have the potential to increase the Funds' exposure to adverse economic factors such as significantly rising interest rates, severe downturns in the economy and deterioration in the condition of the borrower or other obligor on the mezzanine loans or the real estate industry as a whole. In the event that any borrower or other obligor on a mezzanine loan is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness, the value of the Funds' investment in such mezzanine loan could be significantly reduced or even eliminated. When mezzanine loans are collateralized, it is often by ownership interests in the property owner or developer, rather than the real property itself. As such, it is possible that lenders under mezzanine financings will engage in a more rapid recovery of the underlying collateral in the event of default and foreclosure, but enforcement processes can be time consuming, and recovery of the mezzanine lender's collateral will not impair the rights of the mortgage lender. In addition, changes in the interest rates have the potential to adversely affect the value of a mezzanine loan. Longer-term debt obligations are usually more sensitive to interest rate changes.

Risks Associated with Whole Loans. The Funds are permitted to invest in whole loan mortgages. Such investments may include, but are not limited to, sub-prime mortgage loans, "scratch and dent," and sub-performing and non-performing loans and REO assets, which are subject to increased risks. Whole loan mortgages generally are not government guaranteed or privately insured. A whole loan mortgage is directly exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying property, the creditworthiness of the borrower and the priority of the lien are each of great importance. Whether or not the General Partners, Taconic or any of their affiliates have participated in the negotiation of the terms of any such mortgages, there can be no assurance as to the adequacy of the protection of the interests of the Funds, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, it is possible that claims will be asserted that might interfere with enforcement of the rights of the Funds. In the event of a foreclosure, a Fund will generally assume direct ownership of the underlying real estate. There can be no guarantee that the liquidation proceeds upon sale of such real estate will not be less than a Fund's adjusted purchase price for the related whole loan mortgage, resulting in a loss to the Fund. In such a circumstance, any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the liquidation proceeds and thus increase the loss to the Funds.

Variable Rate Mortgages. The Funds are likely to, in some cases, acquire investments subject to financing that provides for adjustments in the interest rate at various monthly, annual or other intervals. An increase in the interest rate as a consequence of any such adjustment is likely to: (i) result in less income to the Funds; (ii) reduce distributions to partners; (iii) cause negative amortization; and (iv) cause the sale of an investment prematurely or on less favorable terms than might otherwise be obtained. Similarly, with respect to debt held by the Funds (as a lender) that is based on variable interest rates, the Funds are subject to the risk that such interest rates will decline.

Loan Default Risks. The mortgage loan documents for the Funds' investments will generally contain customary covenants, such as requirements relating to the maintenance of the property securing the debt, restrictions on pledging and creating other liens on the property, restrictions on incurring additional indebtedness and restrictions on transactions with affiliates. Failure by the Funds to make timely payments of principal and interest on mortgage loans or to observe these loan covenants could result in the declaration of a default by the lender. The consequences of a declaration of default include foreclosure of the mortgage, resulting in loss of both the property and the income it produces, the incurrence of substantial legal costs, the imposition of a deficiency judgment if the foreclosure sale does not result in proceeds sufficient to satisfy the mortgage, and potential adverse tax consequences to the limited partners. In addition, if any loan contains cross-default provisions, a default under one loan could result in default under other loans.

Refinancing Risks. Mortgage loans on the Funds' properties can be subject to relatively short maturities, which will in some cases require refinancing before the properties are disposed of. There is no assurance that replacement financing can be obtained or, if it is obtained, that interest rates and other terms would be as favorable as for the original loans. Inability to refinance a loan on favorable terms can, in some cases, compel the Funds to attempt to dispose of the property or other properties on terms less favorable than might be obtained at a later date.

Zoning Laws. Governmental zoning and land use regulations may exist or be promulgated that would have the effect of restricting or curtailing certain uses of existing structures, or requiring that such structures be renovated or altered in some fashion. Such regulations could adversely affect the value of any of the Funds' properties.

Highly Competitive Market for Investment Opportunities. There can be no guarantee that the Funds will be successful in identifying appropriate investment opportunities or consummating the acquisitions on satisfactory terms.

The business of identifying, structuring, completing, and realizing attractive investments in real estate properties within the Funds' investment strategy is competitive and involves a high degree of uncertainty. The availability of investment opportunities in real estate properties generally will be subject to market conditions. The Funds will be competing for such investments with many other real estate funds, as well as individuals, investment vehicles, financial institutions (such as mortgage banks, pension funds and sovereign wealth funds), hedge funds and other institutional investors. Given the Funds' highly-targeted investment strategy to acquire real estate properties located within

New York City, it is possible that the risks associated with competition will be exacerbated by the narrow market for such investments. Further, over the past several years, many real estate funds and publicly traded REITs have been formed (and many such existing funds have grown in size) for the purpose of investing in real estate assets. It is possible that additional real estate funds and REITs with similar investment objectives will be formed in the future by other unrelated parties and further consolidation would occur. There is a risk that such investors will have substantially greater financial and other resources dedicated to the same investment strategy as that of the Funds. Similarly, there is a risk that those entities will be able to accept more risk than the Funds or will be willing to accept a lower return. Competition generally reduces the number of suitable investment opportunities in real estate properties available to the Funds and increase the bargaining power of sellers.

The Funds generally face increasing competition for investments in attractive real estate properties from such existing and new investors with similar investment objectives. Accordingly, there can be no assurance that the Funds will be able to identify, complete and realize attractive investments in the future or that they will be able to utilize fully its committed capital. Even if attractive investment opportunities are identified by the Funds, there is no certainty that the Funds will be permitted to invest in such opportunities (or invest in such opportunities to the fullest extent desired). If the Funds' investment strategy is unsuccessful, the Funds will not be able to realize the returns at the rates that it anticipates.

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

Valuation: The market value of the Funds' investments will generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular security, and the conditions of financial markets. Most of the Funds' investments will be investments for which there is no, or limited, liquid market. The fair value of such investments may not be readily determinable. The Funds will value their respective investments periodically at fair value as determined by the applicable General Partner. The valuations used by a General Partner for a

substantial portion of its Fund's investments may therefore not reflect the most recently available market information. The types of factors that can be considered in fair value pricing of valuing a Fund's investments include discounted cash flows, prevailing market conditions with respect to the location of the property investment, similar property sales and other relevant factors. Because such valuations are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates; the General Partners' determination of fair value may differ materially from the actual results obtainable in an arm's length sale of such investments to a third party or from the opinions of other real estate professionals. Each Fund's financial condition and results of operations could be adversely affected if its fair value determinations were materially higher than the values that it ultimately realizes upon the realization of such investments.

Impact of Economic Conditions. The Funds' investments will be concentrated in the real estate sector in New York City and the demand for available space in the New York City is related to the level of economic activity. As a result of prior economic conditions New York City has experienced economic recessions. Accordingly, reduced economic activity in New York City is likely to lead to lower occupancy and/or rental rates for the Funds' investments. Such geographical concentration will expose the Funds to the risk of economic downturns in this region to a greater extent than compared to a diversified portfolio of investments located in other markets.

The Funds' performance will be indirectly affected by financial stability of the lessees of the Funds' investments in real estate properties. The customer base for the Funds' investment properties is expected to be comprised of non-rated and non-investment grade customers. In addition, there is a possibility that certain investment properties will be occupied by a single customer, and as a result, a Fund's return on such investments will depend on the financial stability of that customer. Economic downturn or financial difficulties experienced by a lessee could result in such lessee defaulting on its obligations, failing to make lease payments, declining to extend or renew its lease upon expiration, or declaring bankruptcy. The default, financial distress or bankruptcy of a tenant could cause interruptions in the receipt of rental revenue and/or result in a vacancy, which would reduce the operating cash flow generated by the property leased to that tenant and would therefore decrease the value of that property. In the event of a customer default, it is possible that the Funds will experience delays in enforcing rights as a landlord and incur substantial costs in protecting the Funds' investment and re-leasing the property. If a lease is terminated, the value of the investment property is likely to be negatively affected and there can be no guarantee that a Fund will be able to lease the property for the rent previously received or at all or sell the property without incurring a loss. Additionally, certain investment properties will be specifically suited to the particular needs of certain tenants and the Funds will therefore have difficulty attracting new tenants with similar needs.

Furthermore, in some cases, certain investments will utilize leases with payments directly related to sales, where the amount of rent charged to a lessee is calculated as a percentage of such lessee's revenues over a fixed period of time. As a result, the Funds' return on investment will be indirectly affected by the business, operating results, financial condition and prospects of such lessee.

Additionally, a period of deteriorating general economic conditions could negatively impact the Funds' ability to dispose of its investments by adversely affecting the market for real estate investments generally.

Risk of Geographic Concentration. Due to the geographic concentration of the Funds' investments in New York City, the Funds will be vulnerable to adverse conditions, including general economic conditions, increased competition, real estate conditions, terrorist attacks, potential impacts from labor disputes, earthquakes and wildfires, and other natural disasters occurring in New York City. Such adverse developments could materially reduce the value of the Funds' investments and thus adversely affect the Funds' performance.

Additionally, the real estate sector in New York City is subject to market forces and the Funds are unable to predict certain market changes including changes in supply of or demand for similar properties in a particular area. For example, if demand for the real estate in the geographic areas within New York City where the Funds have investments were to sharply increase or supply of those assets were to sharply decrease, the value of the Funds' investments in such areas could rise significantly. Likewise, a sharp increase in supply or reduced demand for real estate in such areas could adversely affect lease rates and occupancy, which could adversely affect the Funds' return on investment.

Risks Relating to Debt Financing. The ability of assets, companies or businesses in which the Funds hold investments to refinance debt securities depends on their ability to obtain financing, including by selling new securities in the high-yield debt or bank financing markets. The lethargic state of global credit markets is expected to make it more difficult for the Funds to obtain favorable financing terms for its investments. Any deterioration of the global debt markets (particularly the U.S. debt markets), any possible future failures of certain financial services companies and a significant rise in market perception of counterparty default risk, interest rates and/or taxes will likely significantly reduce investor demand and liquidity for investment grade, high-yield and senior bank debt, which in turn is likely to lead some investment banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer committed financing for investments on less favorable terms than had been prevailing in the recent past. The Funds' ability to generate attractive investment returns for its limited partners will be adversely affected to the extent the Funds are unable to obtain favorable financing terms for its investments. Any market turmoil, as well as a perceived increase in counterparty default risk, would have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies, which in turn would adversely affect or restrict the ability of the Funds to sell or liquidate investments at favorable times or at favorable prices or otherwise have an adverse impact on the business and operations of the Funds.

Additionally, lenders that provide financing can impose restrictions that affect the Funds' ability to make distributions, ability to incur additional debt or other operating policies. Additionally, in some cases, loan documents contain covenants that limit the Funds' ability to further mortgage property,

discontinue insurance coverage, make distributions under certain circumstances, replace property managers or terminate certain operating or lease agreements related to the property. Certain financing arrangements will require a pledge of proceeds to secure and repay borrowings. Such arrangements will cause the Funds to have less proceeds available to make investments or otherwise operate the Funds. These or other limitations, if instituted, would adversely affect the Funds' flexibility and ability to achieve its investment objectives.

Some financing arrangements require a lump-sum or "balloon" payment at maturity. The Funds' ability to make a balloon payment at maturity will be uncertain and in some cases will depend upon the Funds' ability to obtain additional financing or sell the particular investment. At the time the balloon payment is due, there is a risk that the Funds will not be able to refinance the balloon payment on terms as favorable as the original loan or sell the particular investment at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the Funds' return on investment. In addition, payments of principal and interest made to service the Funds' debts, including balloon payments, raise the possibility that they will leave the Funds with insufficient cash to pay required distributions to maintain a REIT subsidiary's qualification as a REIT.

Risks of Leverage – Subscription Facility. Under certain conditions, the Funds expect to enter into a subscription facility in order to enable it to make investments or pay expenses through borrowings in lieu of or in advance of capital contributions (including a credit facility secured by the assets of an affiliated investor). The use of such a facility will not be included in the leverage test for the Funds. In order to establish the subscription facility, the Funds will generally assign certain of the Funds' rights with respect to limited partner commitments, including the right to draw down such commitments; provided, however, the Funds intend to use any such subscription financings solely as a cash management tool and do not intend to use such financings on a long-term basis in lieu of calling for capital contributions. Limited partners will be required to enter into customary documentation in connection with the pledge of their capital commitments for any such loan. In the event of a default under such a facility, the lender could foreclose on such unfunded capital commitments.

Risks of Leverage – Entire Fund. In some cases, the Funds will use leverage to increase the potential value of the assets to be acquired, which will increase the risk of loss to the Funds. The use of significant leverage by the Funds will increase the exposure of investments to adverse economic factors, such as rising interest rates, severe economic downturns or deteriorations in the condition of an investment or its market. While the use of leverage has the ability to enhance returns to the Funds and increase the number of investments the Funds can make, it will diminish returns (or increase losses on capital) to the extent overall returns are less than the costs of funds. When investments utilize leverage, the third-party lenders are typically entitled to cash flow generated by such investments prior to the Funds receiving a return, principal and interest payments on indebtedness will be required regardless of the sufficiency of cash flow, and, in the event an investment is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness, the value of the Funds' equity investment in such investment could be significantly reduced or even eliminated. To the extent financing is not available on terms considered favorable by the Funds, the number and size

of investments that the Funds will be able to make will be limited. In addition, even if the Funds are able to arrange for leverage, there can be no assurance that longer term financing will be available with respect to any particular investment. Any inability of the Funds to repay such borrowings could enable a lender to seek payment from the limited partners to the extent of the then remaining capital commitments.

Multifamily Properties: Some of the Funds' investments consist of investments related to multifamily properties. Concentration in these properties has the potential to increase the volatility of a Funds' returns and expose them to increased risk in the event of economic downturns in this sector. As a result, economic downturns in this sector could have an adverse effect on the financial condition, results of operations and cash flow of the Funds. The Funds would also be adversely affected if a significant number of tenants were unable to pay rent or if vacant apartments could not be rented on favorable terms. Unlike many other types of real estate investment, multifamily properties do not have tenants occupying large portions of the property whose lease payments provide relatively reliable sources of income for extended lease terms. Instead, such properties will typically have individual residential tenants and with lease terms that are often one year or less. Multifamily properties generally experience frequent tenant turnover due to factors such as transient populations, new competition in the area and changes in the tenants' economic status. In addition to continuously needing to replace vacating tenants, tenant turnover at multifamily properties generally causes the property owner to incur significant rent-up costs in order to prepare a unit for new tenants. Some tenants have rent stabilized or rent controlled leases and pay below-market rents or receive assistance from government programs, and some properties with such tenants receive tax abatements or other government subsidies. Laws, rules and regulations regarding these properties and governmental programs could change. There can be no assurance these programs will continue into the future. There can be no assurance that these factors will not adversely affect the value of a Funds' investment in multifamily properties.

Office or Retail Properties: Some of the Funds' investments consist of office or retail properties. Office building properties, retail properties and mixed-use properties are subject to a number of operating risks, including, among other things: (i) competition from other buildings and properties in the same geographic market; (ii) increases in operating and maintenance costs; (iii) dependence on key tenants; (iv) fluctuating lease and occupancy rates; (v) the financial stability of tenants and related risks of default by tenants experiencing financial problems; and (vi) adverse effects of general and local economic conditions. These factors could adversely affect a Fund's ability to generate revenues and make distributions to its limited partners. A Fund's financial results will depend in part on leasing space in the properties it acquires to tenants on economically favorable terms. A default by a tenant, the failure of a guarantor to fulfill its obligations or other premature termination of a lease, or a tenant's election not to extend a lease upon its expiration could have an adverse effect on a Fund's income, general financial condition and ability to pay distributions. In some cases, tenants will have the right to terminate their leases upon the occurrence of certain customary events of default and, in other circumstances, will not renew their leases or, because of market conditions, will be able to renew their leases on terms that are less favorable to a Fund than the terms of the current leases. If a lease is

terminated, a Fund cannot assure limited partners that it would be possible to lease the property for the rent previously received or sell the property without incurring a loss. A Fund's income can likewise be adversely impacted in the event significant tenants do not renew leases or, because of market conditions, are able to renew their leases on terms that are less favorable to a Fund than the terms of the current leases.

Risks Related to the New York City Property Fund II

Reliance on the Fund Board, the General Partner, Taconic and the Sponsor. The New York City Property Fund II Board and its General Partner will control the Fund and will cause the Fund to engage Taconic to provide certain services to the Fund. The limited partners will not have any right to participate in the day-to-day operations, including investment and disposition decisions, of the Fund. In order to safeguard their limited liability for the liabilities and obligations of the Fund, the limited partners must rely entirely on the Fund Board, the General Partner, Taconic and the Sponsor to conduct and manage, respectively, the business and affairs of the Fund. Accordingly, no person should purchase interests unless such person is willing to entrust all aspects of the management of the Fund to the Fund Board, the General Partner, Taconic and the Sponsor.

None of the Taconic personnel that provide services for the Fund is obligated to remain with Taconic or any other Sponsor. The Sponsors, subject to any time and commitment obligations in the Governing Documents, have the authority to determine which of its personnel are to dedicate their time and attention to the Fund. There can be no guarantee that the personnel of the Sponsors or dedicated to the Fund as of the date of any investment by a limited partner will not be changed at any time and for any reason or no reason.

Limitation on Liability of the Fund Board, the General Partner and other Affiliates. The Fund Board, the General Partner, Taconic, other Sponsors, the LP Advisory Committee and their respective affiliates, employees, agents, advisors, managers, officers, directors, members, partners, shareholders or consultants will have the benefit of certain provisions limiting their liability to the Fund, provided such exculpation provisions will not apply in certain circumstances as set forth in the Governing Documents. As a result, limited partners will generally have a more limited right of action in certain cases than they would have in the absence of such exculpation provisions.

Joint Sponsors. Taconic will jointly engage with the Sponsor in individual projects for the Fund. There is a possibility that Taconic and the Sponsor will, at times, disagree with regard to the management of such project or Fund. Taconic and the Sponsor jointly control the Fund and the General Partner and appoint the representatives to the Fund Board. As major decisions generally require consensus, a disagreement could lead to a deadlock. The joint venture documents provide for deadlock resolution mechanisms but the failure to timely reach an agreement between the Taconic and the Sponsor in relation to any major decision could adversely affect the applicable Fund. In the event of any such disagreement, the Taconic and the Sponsor may, but are not required to, present such disagreement to a third-party or to the LP Advisory Committee for resolution.

Limited Control by the LP Advisory Committee Members; Activities of the LP Advisory Committee. The LP Advisory Committee will have authority to approve certain major decisions relating to the Fund including approving deviations from the Fund's investment guidelines and certain transactions with Taconic and their affiliates. To the extent that limited partners do not have the right to appoint a member of the LP Advisory Committee, such limited partners will have limited control over such major decisions and changes in Fund policies. However, all limited partners are bound by the determinations of the relevant LP Advisory Committee, regardless of whether a limited partner is directly represented by a member of such LP Advisory Committee.

The Governing Documents typically provide that, to the fullest extent permitted by applicable law, none of the members of the LP Advisory Committee members shall owe any fiduciary duties to the Fund or any other limited partner. Members of the LP Advisory Committee can have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the LP Advisory Committee for consideration or review. In addition, members of the LP Advisory Committee (and limited partners appointing such members) in some cases have various business and other relationships with Taconic and its partners, employees and affiliates. These relationships have the potential to influence their decisions as members of the LP Advisory Committee.

Conflicts of Interest

Various potential and actual conflicts of interest will arise from the overall investment activities of the Funds, the Fund Board (if applicable), the General Partners, Taconic, the Sponsor and their affiliates. The following discussion enumerates certain potential conflicts of interest which should be carefully evaluated before making an investment in the Funds. Taconic, the Sponsor and their respective affiliates and personnel may in the future engage in further activities that will, in some instances, result in additional conflicts of interest not addressed below. If any matter arises that Taconic and its affiliates determine in its good faith judgment constitutes an actual conflict of interest, Taconic intends to take such actions as it determines in good faith are necessary or appropriate to ameliorate the conflict (and upon taking such actions the relevant General Partner and its affiliates (including Taconic) will be relieved of any liability for such conflict to the fullest extent permitted by law and shall be deemed to have satisfied applicable fiduciary duties related thereto to the fullest extent permitted by law). These actions include, by way of example and without limitation, (i) presenting a conflict of interest to the LP Advisory Committee as expressly provided for in the Governing Documents, (ii) disposing of the security or investment giving rise to the conflict of interest; (iii) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest; or (iv) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the LP Advisory Committee regarding the conflict of interest and either obtaining a waiver from the LP Advisory Committee of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the LP Advisory Committee with respect to such conflict of interest. There can be no assurance that the General Partners, Fund Board (if applicable) and Taconic will identify or resolve all conflicts of interest in a manner that is favorable to the Funds. By acquiring an interest in the Funds, each limited partner will be deemed to have acknowledged and

consented to the existence or resolution of any such actual, apparent or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

Limited Partner Transfer of Interest. In certain cases, Taconic will have an opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interest in a Fund. In the case of ordinary transfers, Taconic will not receive compensation for identifying such transferees and will use its discretion to select such transferees based on eligibility and other factors, and unless required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund limited partners.

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

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

*Conflicts of Interest Related to the Sponsor—*With regard to the New York City Property Fund II Only—The Sponsor each of its affiliates will be subject to various conflicts of interest in carrying out their responsibilities to the New York City Property Fund II because affiliates of the Sponsor and others for whom the Sponsor provides management and advisory services may also be in competition with the Fund.

The Sponsor and its affiliates provide real estate investment advice and perform related services for the Sponsor general account and other clients of the Sponsor similar to the advice and services provided and services to be performed by the Sponsor for the New York City Property Fund II. Such accounts and clients may have investment objectives and policies comparable to those of the New York City Property Fund II and may be in competition with the Fund. Other funds may be formed in the future with investment objectives which are the same as or similar to New York City Property Fund II's investment objectives. In the event the Sponsor identifies a potential investment that might also be made by one or more other funds or clients advised or managed by the Sponsor or one of its respective affiliates, the decision as to the suitability of the potential investment by a particular account or client will be made pursuant to the Sponsor's written allocation policy. If more than one account is interested in a potential investment, a strict rotation procedure will be applied. However, the Sponsor shall maintain full authority over allocation decisions and shall have the power to revise the written allocation policy in its sole discretion. The interests of the Sponsor's general account, clients or any other funds formed or managed by, or clients of, the Sponsor and its affiliates in the future, and the Sponsor's obligations to those accounts, clients, or funds, may conflict with the interests of limited partners in the New York City Property Fund II and could result in a modification to the written allocation policy that could be detrimental to the Fund. Moreover, investments held by other accounts, clients, or funds managed by or affiliated with the Sponsor may compete with the New York City Property Fund II's investments, which could lead to certain conflicts of interest.

Employees of the Sponsor are expected to devote business time to other accounts, clients and/or funds managed by the Sponsor. In addition, employees of the Sponsor with oversight for the New York City Property Fund II's investments invest in real estate investments for their own accounts, which investments may conflict with the interests of the Fund. Taconic and the Sponsor may adjust the investment strategy and guidelines at any time in light of changing market conditions. In addition, the Sponsor may face certain conflicts of interest in making disposition decisions with respect to the Sponsor contributed assets and any other properties contributed by the Sponsor or its affiliates in the future because the Sponsor or its affiliates may be subject to the payment of taxes (in particular, with respect to any built-in gain at the date of contribution) upon the disposition of such properties by the New York City Property Fund II or other subsidiary of the Fund.

Employees, officers, and directors of Taconic and the Sponsor and their affiliates may invest in portfolio investments outside of the Fund on a parallel basis through one or more vehicles established for such purposes (each, a "Sponsor Co-Invest Fund"). The New York City Property Fund II and any Sponsor Co-Invest Fund will make portfolio investments on substantially the same terms, including with respect to price and timing. However, participants of a Sponsor Co-Invest Fund will not be subject to and will not bear all of the fees and expenses that limited partners bear with respect to the Fund, including, without limitation, carried interest and the management fee.

Projections. Part of Taconic's reporting to limited partners and prospective limited partners involves projecting rates of return for investments. Projected operating results of an investment in which a Fund invests normally will be based on financial projections prepared by Taconic. Furthermore, the

annual projected Fund returns prepared by Taconic are audited by independent audit firms. In all cases, projections are only estimates of future results that are based upon internal information as well as information received from third parties, and reasonable assumptions are made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and it is possible that actual results will be significantly different from the projections or that the information received from third parties is accurate. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

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

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

Co-Investment. Taconic or the Fund Board (if applicable) expects, from time to time, pursuant to the terms of the Governing Documents, to provide co-investment opportunities with respect to selected investments to one or more limited partners who are willing to participate in the offered co-investment opportunity, including without limitation the limited partners, other clients of Taconic, the Sponsor or their respective affiliates, and third parties selected by Taconic in its absolute discretion, on such terms as will be agreed between Taconic and each such co-investor. Conflicts of interest can arise in the allocation of co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined in Taconic's sole

discretion, may not be in the best interests of the Funds or any individual limited partner. In exercising this discretion in connection with co-investment opportunities, Taconic considers a wide range of factors, which include, but are not limited to: whether a potential co-investor has the financial resources to provide the requisite capital in a timely fashion; the sophistication and experience of the potential co-investor and its ability to promptly respond to and complete a co-invest opportunity; the size of the potential co-investor's commitment to existing funds of Taconic or the Sponsor; the ability of the potential co-investor to make meaningful contributions to the transaction; the overall strategic benefit to the portfolio investment of offering a co-investment opportunity to the potential co-investor; the expertise of the potential co-investor with respect to the geographic location or business activities or industry of the prospective investment; the investment objectives of the potential co-investor; the legal or regulatory constraints (including tax constraints) that the proposed investment is expected to raise; other special circumstances related to the proposed investment; and the reporting, public relations, competitive, confidentiality or other issues that also arise as a result of the co-investment. The exercise of discretion in allocating investment opportunities may, and often will, result in disproportionate allocations among limited partners that have expressed interest in co-investment opportunities, and such allocations will likely be more or less advantageous to some such limited partners relative to other such limited partners. In allocating co-investment opportunities for the New York City Property Fund II, it is expected that limited partners with capital commitments equal to or greater than \$50 million will generally have a priority over limited partners with capital commitments that are less than \$50 million, however, there is no obligation or guarantee that any limited partner will receive a co-investment opportunity. Co-investment opportunities will, in some cases, be allocated among those limited partners with capital commitments equal to or greater than \$50 million and any other limited partners in such manner as determined by the Funds and Taconic in their sole and absolute discretion and there can be no guarantee that limited partners with similar capital commitments will be offered similar or any co-investment opportunities.

The Funds will, in some cases, co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments generally involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner will at any time have economic or business interests or goals that are inconsistent with those of the Funds, or be in a position to take action contrary to the investment objectives of the Funds. In addition, it is possible that the Funds will, in certain circumstances, be or become liable for actions of its third-party co-venturer or partner.

In some cases, a co-investment vehicle will be formed in connection with the consummation of a transaction and such entity generally will bear expenses related to its formation and operation. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial to the transaction, ultimately is not consummated, the full amount of any fees and expenses generated in the course of evaluating any such proposed transaction generally would be borne by the Funds and not by any potential co-investors that were to have participated in such transaction.

However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such expenses.

To the extent permitted by applicable law, in order to facilitate such co-investments, a General Partner or Fund Board (if applicable) may cause such Fund to sell a portion of an investment to, or purchase an investment from, one or more other co-investment participants at a price based on the fair market value of such investment as determined by the General Partner or Fund Board (if applicable) in their reasonable discretion, and otherwise on terms to be determined by the General Partner or Fund Board (if applicable) in their absolute discretion. Such co-investment transactions could create conflicts of interests to the extent any affiliate of Taconic or the Sponsor is simultaneously representing the interests of more than one co-investing party. For the avoidance of doubt, no limited partner will be under an obligation to make any co-investments and no person co-investing with the Funds as described above will be considered a limited partner by reason of such co-investment.

Transactions with Affiliates. The Funds expect, under certain conditions, to engage in transactions with members of the Sponsor and its affiliates or former affiliates and Taconic's affiliates (namely, Taconic Development Company LLC and Taconic Management Company LLC) to provide services to the Funds or its investments at the expense of the Funds that would ordinarily be provided by third-parties, including, without limitation, property management and leasing services, construction oversight and development services, financing services and sales brokerage services. Any such service provider will be compensated for providing such services at rates no less favorable to the Funds than generally available in an arm's length transaction from experienced service providers. Limited partners will not receive the benefit of fees or other compensation received by the Taconic or the Sponsor in connection with the provision of services by Taconic or the Sponsor to the Funds, their investments or third parties.

In particular members of Taconic will provide property management, leasing, brokerage, development and construction oversight services to the Funds and their investments. Taconic will generally be compensated for providing certain these services to the Funds and their investments, including, but not limited to the following: residential property management fee, commercial/retail property management fee; commercial/retail leasing oversight fee; development/construction oversight fee, each of which are subject to individually negotiated percentages and conditions as set forth in the New York City Property Fund II's Governing Documents.

Market rates for providing similar services will change in the future. If market rates for providing similar services decline it could result in the rates that Taconic charges exceeding those generally available from third parties. Taconic Sponsor is not under any obligation to evaluate or compare the rates it charges for such services against market rates for similar services and does not intend to make any such evaluation.

Service Providers. Certain advisors and other services providers, or their affiliates, (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) to the Funds, the General Partner,

Taconic, other Sponsors, subsidiaries, investment entities or their affiliates may also provide goods or services to or have business, personal, political, financial or other relationships with members of the Sponsor Group. Such advisors and service providers will, in some cases, be limited partners in the Funds, affiliates of the Sponsors, sources of investment opportunities or co-investors or counterparties therewith. These relationships have the potential to influence the decision of whether to select a service provider to perform services for the Funds or an investment entity (the cost of which will generally be borne directly or indirectly by the Funds or such investment entity, as applicable). Service providers will generally not be selected solely on the basis of cost, rather service providers will generally be selected by considering a number of factors which include, among other considerations, prior services provided by a service provider, the overall relationship between a service provider and the Funds, the General Partners, Taconic, the Sponsor, subsidiaries, investment entities and their affiliates, including any additional services provided by such service provider, the qualifications and reputation of the service provider, the qualifications of the service provider to provide the applicable services and/or the needs of the investment for the service in question. In certain circumstances, advisors and service providers, or their affiliates, charge different rates or have different arrangements for services provided to Taconic, other Sponsors, the General Partner or their respective affiliates as compared to services provided to the Funds and their portfolio entities, which in certain circumstances has the potential to result in more favorable rates or arrangements than those payable by the Funds or such portfolio entities.

Moreover, Taconic and its personnel can be expected to receive certain intangible and/or other benefits and/or discounts and/or perquisites arising or resulting from their activities on behalf of the Funds which will not be subject to management fee offset or otherwise shared with the Funds, limited partners and/or portfolio investments. For example, airline travel or hotel stays incurred as Fund Expenses may result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Taconic and/or such personnel (and not the Fund limited partners and/or portfolio investments) even though the cost of the underlying service is borne by the Funds and/or portfolio investments.

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

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

Item 9 – Disciplinary Information

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

Like other registered investment advisers, we are required to disclose any legal or disciplinary events that are material to a limited partner's or a prospective limited partner's evaluation of Taconic's investment advisory business or the integrity of our management. Taconic and its management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

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

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

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

Neither Taconic nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing.

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

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

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

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

As mentioned in Item 4 above, Taconic Development Company LLC is a wholly-owned subsidiary of Taconic, and performs services for the Funds and third parties, including construction oversight, project development and certain consulting and advisory services related to project development.

Taconic Management Company LLC is a wholly-owned subsidiary of Taconic and acts as the property manager for certain Funds, joint venture and third-party investments.

Taconic Management Company LLC is comprised of a team of highly skilled property management, system management, leasing, engineering, accounting and administrative professionals.

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

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

Additionally, Taconic and its affiliates, including property management or leasing affiliates, will periodically sponsor incentive programs for unaffiliated third parties, primarily for real estate brokers and leasing agents. These programs are designed to incentivize the brokers and/or leasing agents to

generate interest in obtaining tenants to occupy vacant space in properties owned by the Funds. The incentive programs are designed primarily to benefit the Funds by securing leases as quickly as possible to generate revenue at the properties owned by the Funds or to sell condominium units or other real estate investments on behalf of the Funds. The incentive programs often include items such as meals, gifts, gift cards, vacation accommodations, and other items. The incentive programs are paid for as part of the marketing budget for each property. Since these expenses are paid by the individual property, the Funds will indirectly bear the cost of these programs.

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

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

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

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

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

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

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions and annual holdings reports that must be submitted by Taconic's supervised persons. In addition, the Code of Ethics also contains policies which address key areas such as standards of conduct,

compliance with laws, rules and regulation and participation in outside business activities. The Code of Ethics also prohibits supervised persons from using any material non-public information Taconic may obtain in a personal or professional capacity.

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

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

Participation or Interest in Client Transactions

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

Taconic does not affect any principal or agency cross securities transactions for Fund accounts without the proper consent of the relevant General Partner or the relevant Fund advisory board, as applicable. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from, or sells any security to, any advisory client. A principal transaction can also be deemed to have occurred under certain circumstances if a security is crossed between an affiliated fund and another client account. In the context of Taconic's business, a principal transaction would most likely refer to the practice of the General Partners or its members warehousing an investment for the formation of a future fund or Taconic or a Fund General Partner purchasing the interest of an existing limited partner.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions can also arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. An adviser is not "acting as a broker" if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting an agency cross transaction under Section 206(3) of the Advisers Act. In the context of Taconic's business, an agency cross transaction would occur when selling a portfolio investment, investment or other asset from one Fund to another.

In the event Taconic were to recommend a principal transaction or agency cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating

clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the relevant General Partner, LP Advisory Committee or limited partners, as appropriate; (iv) consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.

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

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

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

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

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

Item 12 – Brokerage Practices

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

Based on the nature of the investment strategies employed for the Funds, Taconic does not make use of securities broker-dealers in the traditional sense to buy and sell portfolio investments on behalf of the Funds. Rather, investment advisory services provided by Taconic are comprised solely of real

estate advisory services for private real estate securities transactions through privately negotiated transactions (*e.g.*, purchases, sales, leases, joint ventures or financings). In such privately negotiated transactions, Taconic or an affiliate will, on occasion, engage the services of a real estate broker for the purchase or sale of a property or a mortgage broker for the financing or refinancing of debt on a property. When considering retaining the services of such brokers, Taconic will consider such factors as the broker's industry expertise or experience, its reputation and its capability based on previous and pending transactions effected for Taconic and any of its affiliates and the broker's knowledge of or access to transactions Taconic desires to pursue. Although we generally seek competitive commission rates, we will not necessarily pay the lowest commission or commission equivalent.

i. Research and Other Soft Dollar Benefits.

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

ii. Brokerage for Client Referrals.

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

iii. Directed Brokerage.

Taconic does not engage in directed brokerage.

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

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

Item 13 – Review of Accounts

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

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

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

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

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

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

Item 14 – Client Referrals and Other Compensation

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

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

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

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

Item 15 – Custody

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

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

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

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

Item 16 – Investment Discretion

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

Through execution of each Fund's Governing Documents, we are granted discretionary authority by our limited partners for the management and conduct of the affairs of the Funds for which we provide investment advisory services. The terms upon which we serve as an investment manager are

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

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

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

Item 17 – Voting Client Securities

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

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

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or

a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

This Item is not applicable to Taconic.

Item 18 – Financial Information

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

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

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

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

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

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