TAURUS INVESTMENT HOLDINGS, LLC
www.tiholdings.com

Dear Taurus Investor,

I hope that this letter finds you in good health in this most turbulent of times. We find ourselves in the midst of a proverbial "Black Swan" event that has shaken our economic foundations to the core. The social distancing protocols mandated globally have caused countless users of commercial real estate to cease normal operations with the cessation of economic activity worldwide expected to continue until there is significant medical progress made toward either a vaccination or effective scalable treatment for COVID -19. Buying time to protect the general population and health care providers to the greatest extent possible has become our new and quite sudden reality and, of course, has real impacts on Taurus operations. I would like to share an update on initiatives that our team has been working on with all Taurus clients:

TAURUS OPERATIONS AND PROTOCOLS

- The first step taken by Taurus was to protect the health and safety of our employees and that of our tenants by closing our offices and developing protocols for cleaning and disinfecting our properties and dealing with any potential infections amongst our tenant base.
- We have appointed a group of 18 team leaders to manage the various disciplines within the organization. Erik Rijnbout, President, and I give strategic direction to the team leaders who, in turn, manage their teams. We are in constant contact with the team leaders and have a weekly global video conference to measure progress and compare real-time information.
- As of this letter, the global Taurus team of 130 people remains intact and fortunately healthy. Our entire team is now working remotely in an efficient manner, is fully functional and in constant communication.
- We have completed stress tests on all our projects worldwide with the base case that the global shutdown will remain in place through June 2020. We are in the fortunate position of having almost entirely floating rate debt and generally high levels of occupancy and can thus withstand a significant escalation of bad debt and/or rent modification across the system.
- The stress test results vary by partnership so Managing Directors will be sending letters for each individual club deal addressing the results. Please look for these letters during the third week of April 2020.
- We have received rent relief requests from various types of tenants and have established a global protocol for financial due diligence and review before considering any lease modification request on the merits.
- We normally make Q1 distributions on April 15. We will be delaying distributions by two weeks to the end of April this year out of an abundance of caution and allowing us to have a clear perspective on actual collections. This will ensure we establish sufficient reserves in each club deal. There is no reason to rush in this regard, so we appreciate our client's patience as we take the most prudent action to protect their interests.
- We are closely monitoring collections for the month of April as we are now past the first of the month. Not all our tenants will be immune to the economic damage and we will have to deal with defaults as the crisis drags on.

- We have no loan maturities in our portfolio in 2020 and thus have no refinancing default risk in the near term. Our primary challenge is properly managing our cash flows and tenancy.
- Our risk management approach has resulted in a combination of strong tenancy, floating rate debt without maturity risk and limited exposure to hospitality and retail, which has in turn put us in an enviable position compared to many of our peers in managing through the crisis.

MULTI FAMILY

- Our portfolio consists of 10 Club Deals with 2,869 apartment units, located in the markets of Kansas City MO, Orlando FL, Boston MA, Atlanta GA, Tampa FL and Raleigh NC.
- The portfolio on average is 95.36% occupied.
- We have no mezzanine loans.
- All loans are floating rate and only one asset has an interest rate floor.
- Nine of the ten loans are with a federal agency (either Fannie Mae or Freddie Mac) with a ten-year term and one is with a bank, CIT, maturing in 2022.
- There are no Loan to Value or debt service covenants in the agency loans.
- We have no multi-family projects under construction currently.
- Cash reserves are generally strong in this portfolio and cash flow through April 2020 has been largely per budget.
- Tenants in the portfolio will suffer from job losses and we fully expect bad debt to increase dramatically over the next three months.
- Although April rent collections are not complete, at this point in the month the number of tenants that have paid is in-line with a typical month.
- Only 85 of our 2,723 occupied units (3.2%) have requested any rent relief. At this point, none has been granted. New leasing continues although most is now done "virtually".
- Agency lenders have created loan modification programs which significantly reduce any large-scale potential default risk in the multi-family sector

INDUSTRIAL

- Our US portfolio consists of two club deals representing over 10,151,000 square feet of industrial space with over 450 tenants.
- To date we have received 54 tenant requests for rent relief almost entirely consisting of small business. Each request will be processed and reviewed through our established protocol.
- We have bank loans on all projects and no mezzanine debt.
- Of the two loans in the US of $528 million, both are floating rate, interest only and have no "loan balancing" provisions. Maturity dates are either 4 or 5 years from today.
- In Germany we have two income producing club deals which are financed with fixed rate bank loans maturing in 2021 and the other maturing in 2027. Both are 100% leased and fully performing at this time.
- We have five industrial projects under construction or development in the US and Germany and all work currently continues.

- We expect small business to struggle the most in our industrial portfolio and will manage our reserves accordingly.
- Many of these small businesses qualify for the CARES stimulus act. Funding from this stimulus has not reached any business yet.

OFFICE

- Our portfolio consists of 14 club deals with 158 tenants in the US, Germany and Argentina.
- To date this asset sector is performing the best from a rent relief request standpoint, with only six requests received representing approximately 3% of the portfolio, one of which was sent erroneously, and subsequently rescinded and full rent paid.
- We have no mezzanine loans.
- The first mortgage providers are a combination of debt funds, CMBS and banks.
- All loans have Loan to Value covenants and debt service covenants which will be closely monitored.
- Office is the most capital-intensive asset class due to the tenant improvement and leasing commission capital which must be reserved or borrowed to continue to attract new tenants. We will continue to monitor these funding sources, particularly as this sector has loan covenants.

HOSPITALITY

- We own one hotel in Apopka, FL (CD 194) which fortunately is still under construction and does not have staff yet. We have delayed the opening of the hotel until September 2020.

RETAIL

- We own one Class A retail facility worldwide, located in Ankara, Turkey (CD 135) which has been forced to close by mandate. Discussions with tenants and the property lender are underway to ensure a successful reopening when possible.
- We provide third party property and asset management services for over 2 million square feet of retail space for institutional clients in Germany. These operations are challenging, and we expect rent collections to drop by 25% in the near term in this sector.

SINGLE FAMILY/DEVELOPMENT

- One of our largest projects is the 5,000-home master planned development known as Whisper Valley (CD 120). Phase 1 of this project (257 homes) has been completed and is fully sold out to home builders. Phase 2 is under construction and is pre-sold to home builders. Phases 3 and 4 are in the midst of final permitting.
- We expect construction may eventually be halted by mandate.
- Home sales continue but we do expect them to slow simply due to the logistical challenges.
- We expect a strong single-family home recovery in the affordable sector due to low interest rates and a desire to reduce housing costs that will positively impact Whisper Valley.

LOOKING FORWARD

Based upon the current news and what we are seeing from our business lines I would like to offer the following market observations from these early days of the crisis:

- The forward curve calls for US interest rates to fall close to zero helping sustain real estate cash flows and long-term valuations.
- We do not anticipate a return to any sense of "normalcy" until an effective, scalable vaccine or treatment is made available. That date is unknown so we must be prepared to ride out a long downturn. The projected sharp Q3-Q4 recovery looks increasingly unlikely.
- We expect the return to work and social interaction to be gradual, not sudden, so the eventual recovery will follow a similar path.
- Areas of current stress affecting Taurus are being felt most acutely amongst the small tenants in our industrial sector and in class B rental housing. We have seen very little distress to date in our office portfolio.
- We do not believe that the "work from home" dynamic will take hold and effect long term office demand. If anything, this forced experiment has revealed the extreme limitations of such a workplace construct.
- We have been in contact with all our lenders who have expressed support in the event challenges emerge. Generally, they have much more pressing matters to address in the rest of their portfolio.
- Political and press agitation for "rent holidays" or a "rent strike" and blanket rent forgiveness, particularly in the multi-family sector, could cause enormous stress in the mortgage markets and knock on capital market systemic problems absent large scale federal intervention and thus warrant close monitoring.
- The actions by the US Treasury and Congress in creating enormous stimulus programs have stabilized the capital markets for now. Certainly, more stimulus programs will be required but leadership has indicated that the full force and power of the US balance sheet will be brought to bear and will be very helpful in stabilizing the economy and providing the liquidity needed for eventual recovery.
- We anticipate significant federal budgetary shifts to bio research, medical and critical supply chain manufacturing, storage and distribution to pre-empt a future pandemic and its effects as we saw post-9/11 in reaction to terrorist threats. These spending allocations will create significant real estate opportunities for Taurus.
- Distressed hospitality assets are suffering the most valuation pain and will likely recover the fastest upon normalization.
- The US was over-retailed prior to the crisis and countless shopping centers and retailers will now finally fail. Strategic repurposing of failed strategically located retail assets will become a great opportunity and area of intense focus in the years to come.
- We believe that industrial demand will recover sharply upon normalization.
- We believe multi-family demand will track the eventual job recovery but will also benefit significantly from the temporary cessation of new supply as occurred after the 2008-9 crisis.
- We expect India to be an eventual winner from the crisis as manufacturers diversify from their historic dependence on China.

CONCLUSION

While intense asset management of our portfolio will be required and significant challenges will no doubt arise, we feel well equipped to confront them and, given the make-up of our portfolio, will have far fewer problems than many of our peers. Our new forward-thinking strategies and opportunistic club deal offerings will reflect the dynamics described above. Maintaining our in-house expertise across numerous product types will allow us to rapidly deploy into a variety of opportunities that will result from the current market dislocations. Indeed, some the best buying opportunities in our company history have followed periods of massive distress in the early 1990's, 2001 and 2009. We appreciate that our clients across the globe find this time of unique stress to be highly disconcerting. Above all else, we wish to reassure you that our entire team remains highly focused and diligent in protecting your interests as a Taurus investor, while at the same time constantly analyzing the markets for strategic buys. We wish you and your families the very best in weathering the storm and remain available at any time to address questions or concerns.

Very truly yours,

PETER A. MERRIGAN
CHIEF EXECUTIVE OFFICER
FOUNDING PARTNER