

## **PART 2A OF FORM ADV FIRM BROCHURE**

This Brochure (the Brochure”) provides information about the qualifications and business practices of Mason Capital Management LLC (“Mason” or the “Investment Manager”). If you have any questions about the contents of this Brochure, please contact us at (212) 771-1200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Mason is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about Mason also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Date of Brochure: 25 March 2022



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**Item 2 – Material Changes**

There are no material changes to report since March 31, 2021, the date of Mason Capital Management LLC's most recent annual updating amendment to its Brochure. This Brochure has been amended to include information regarding a new advisory client. While Mason Capital Management LLC does not consider these changes to be material, clients and investors are encouraged to read this document in its entirety.



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**Item 4 – Advisory Business**

Mason is a Delaware limited liability company established in July 2000 by Michael E. Martino and Kenneth M. Garschina, who are the owners of Mason. Mason’s offices are located in New York, New York. Mason provides investment management services on a discretionary basis to privately offered investment vehicles, and from time to time may also provide investment management services to one or more separately managed accounts.

As of December 31, 2021, Mason had regulatory assets under management of \$2,253,145,190, all of which Mason managed on a discretionary basis.

Mason currently manages three private fund structures (together, the “Mason Funds” or the “Funds”): (1) a master-feeder fund structure comprised of two feeder funds – Mason Capital, L.P., a Delaware limited partnership (the “Onshore Fund”) and Mason Capital, Ltd., a Cayman Islands exempted company (the “Offshore Fund”) – which invest their assets in Mason Capital Master Fund, L.P. (the “Master Fund”), a Cayman Islands exempted limited partnership registered under the Exempted Limited Partnership Law (as revised) that generally invests in event-driven investment opportunities (the Master Fund, the Onshore Fund and the Offshore Fund collectively will be referred to as the “Event Funds”); (2) Mason Capital SPV III, LLC, a co-investment vehicle that invests in certain specifically enumerated municipal debt securities (the “SPV”); and (3) a master-feeder fund structure comprised of two feeder funds – Mason Inflation Fund L.P., a Delaware limited partnership (the “Inflation Onshore Fund”) and Mason Inflation Fund Ltd., a Cayman Islands exempted company (the “Inflation Offshore Fund”) – which invest their assets in Mason Inflation Master Fund, L.P. (the “Inflation Master Fund”), a Cayman Islands exempted limited partnership registered under the Exempted Limited Partnership Law (as revised) that generally invests in securities affected by certain factors in financial, asset and commodity markets (the Inflation Master Fund, the Inflation Onshore Fund and the Inflation Offshore Fund collectively will be referred to as the “Inflation Funds”). In the future, Mason may provide investment advice to other private funds and/or separately managed accounts for non-retail institutional investors (collectively, with the Mason Funds, “Mason Clients” or “Clients”).

The Funds will be managed in accordance with their own investment and trading objectives, as described in their offering documents and governing agreements. Mason does not permit investors in the Funds to impose limitations on the investment activities described in such documents. Under certain circumstances, Mason may contract with a Client to adhere to limited risk and/or operating guidelines imposed by that Client. Mason would negotiate such arrangements on a case-by-case basis. (See Item 16 – *Investment Discretion*).

Mason Management LLC (the “Event General Partner”), a Delaware limited liability company, is the general partner of the Onshore Fund and the Master Fund. Mason Inflation Management LLC (the “Inflation General Partner,” and together with the Event General Partner, the “General Partners”), a Delaware limited liability company, is the general partner of Inflation Onshore Fund and the Inflation Master Fund. Michael Martino and Kenneth Garschina are the managing members of the General Partners. The General Partners are responsible for managing the Master Fund’s and Inflation Master Fund’s affairs, as applicable, and have delegated responsibility for certain management and administrative services to the Investment Manager.

Mason does not participate in a wrap fee program.



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### **The Event Funds**

The vast majority of Mason's assets under management are invested in the Event Funds. In managing the Event Funds, Mason's principal investment objective is to achieve attractive capital appreciation over time, relatively independent of the returns of the overall equity and debt markets, by the use of a variety of investment strategies as Mason, in its discretion, chooses, but principally by employing four event-driven investment strategies: merger arbitrage, distressed securities, credit opportunities and special situations. Mason uses its experience and knowledge to select, opportunistically, those investments in these four areas which it believes will generate attractive risk-adjusted returns. Mason, as the investment manager, may, in its sole discretion, use other investment techniques and strategies which may, in its sole opinion, generate additional capital appreciation with an acceptable level of risk. There is no guarantee that these objectives will be met.

In efforts to achieve its investment objectives, Mason trades a variety of instruments, including, but not limited to common stock and other equities and options related thereto, derivative and convertible securities, debt instruments, warrants, forward and futures contracts, and other instruments.

Mason, in its capacity as investment manager, generally bases its investment decisions on both internally generated research and research obtained from outside sources. It evaluates the downside/upside potential as well as, in the case of securities subject to extraordinary corporate activity, the probability of completion of each transaction in order to calculate the expected return. It may use trading strategies to minimize its loss exposure in specific situations.

### **The SPV**

As noted above, the SPV is a co-investment vehicle designed to invest in certain municipal debt securities specifically enumerated in the SPV's Operating Agreement. As of the date of this Brochure, investors in the SPV include Michael Martino, Kenneth Garschina, and another Mason employee.

Mason reserves the right to revise and/or add to its existing strategies, and/or implement additional strategies, as it sees fit in its role as Investment Manager for the Mason Funds.

### **The Inflation Funds**

In managing the Inflation Funds, Mason's principal investment objective is to achieve attractive returns by identifying opportunities to profit in securities affected by factors in financial, asset and commodity markets that are not discounted, based on the Investment Manager's research, including, without limitation, opportunities relating to inflation.

The Investment Manager may utilize various investment strategies in seeking to hedge against certain perceived risks in the Inflation Funds' portfolio or to enhance the Inflation Funds' performance, but it is under no obligation to do so. Such hedging may entail the Investment Manager causing the Inflation Funds to purchase or sell exchange-traded or over-the-counter securities, derivatives or other instruments. The Inflation Funds may utilize cash reserves or enter into swaps or credit facilities in order to facilitate its hedging activity.



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**Item 5 – Fees and Compensation**

**The Event Funds and the Inflation Funds**

The Investment Manager generally receives a management fee in advance from the Event Funds and the Inflation Funds at the beginning of each quarter to cover the Funds' respective operating expenses and for the investment advisory and administrative services that it provides to the Event Funds and the Inflation Funds. Mason deducts any management fee payable by the Event Funds and Inflation Funds from such Funds' assets and charges allocable portions to each investor in such Funds. Management fees range between 1% and 2% per annum for the Event Funds, and are 1.5% per annum for the Inflation Funds. Investors in the Event Funds and/or the Inflation Funds are generally subject to an incentive allocation/performance-based fee calculated on the performance of each Fund, as described in each Fund's private placement memorandum (each, a "PPM"). Any performance-based compensation is generally deducted from an investor's account at the end of each fiscal year, and is subject to a "high water mark"/loss carry-forward provision. Any performance compensation charged by Mason is in compliance with Section 205 of the Investment Advisers Act of 1940, as amended, and any applicable rules thereunder. Some investors have been granted, upon specific request, accommodations in addition to the standard fee structures described in the PPMs. Any accommodations are considered on a case-by-case basis, and in the sole discretion of Mason.

As set forth more fully in each Funds' PPM, the Event Funds and the Inflation Funds will bear their own expenses including, without limitation, (i) fees and expenses of the Funds' administrator (the "Administrator") and other third parties providing legal, accounting, auditing, administrative, filing, recordkeeping, tax preparation, valuation, custodial, and regulatory compliance services, (ii) regulatory reporting and compliance costs relating to the Funds, such as filing fees and expenses relating to Form PF and Section 13 filings and other regulatory filing fees associated with the Funds' operations and investments, (iii) interest on the Funds' borrowings (on margin or otherwise), (iv) costs and expenses associated with negotiating and entering into contracts and arrangements in the ordinary course of the Funds' business, (v) costs and expense incurred for the purpose of protecting, recovering or enhancing the value of the Funds' assets (including the costs of instituting or defending lawsuits), (vi) costs and expenses of communicating with shareholders and prospective subscribers, including costs of preparing and mailing reports and notices, (vii) costs and expenses associated with registering the Funds' restricted securities, (viii) transaction costs and expenses related to the research, due diligence, and monitoring of the Funds' investments and proposed investments (whether or not consummated), and the purchase, sale or transmittal of the Funds' investments (including fees and expenses related to obtaining research and market data (and any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data), such as fees and expenses related to the use of Bloomberg terminals by Mason's investment professionals and investment support staff, due diligence expenses including consulting and appraisal fees, brokerage commissions, clearing and settlement charges, option premiums, borrowing charges on securities sold short, exchange fees, investment/research-related travel and travel related expenses, custodial, bank service and other service fees, and other expenses), (ix) systems and technology expenses including, without limitation, investment-related systems and accounting, operations, risk and valuation systems and technology to the extent that they support proprietary or vendor supplied investment and/or research-related systems and processes, such expenses to include, for the avoidance of doubt, the fees and expenses of consultants providing the foregoing and the cost of obtaining and storing data required for such systems and technology, (x) insurance expenses, including premiums for cybersecurity insurance and liability insurance covering the General Partners, the Investment Manager, their respective members, partners, officers and employees, and each member of the directors, (xi) fees and expenses (including director registration fees) of the Funds' directors, (xii) withholding and transfer



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fees, (xiii) taxes, and (xiv) extraordinary expenses, including indemnification expenses, fees and expenses incurred in connection with any tax audit by any taxing authority, including any related administrative settlement and judicial review, and the fees and expenses incurred in connection with the reorganization, termination, winding-up and dissolution of the Funds. The Event Funds and the Inflation Funds are also responsible for the Management Fee.

The Investment Manager (or its affiliates) will bear the expenses associated with, among other things, its own (i) office facilities and utilities, (ii) clerical, bookkeeping and recordkeeping services at such office facilities, (iii) communications equipment and services including telephone and facsimile facilities, and news and quotation services, (iv) computer hardware and software, and (v) personnel.

The Investment Manager is authorized to incur and is entitled to be reimbursed by the Event Funds and the Inflation Funds for all costs and expenses it incurs on behalf of such Funds or for the benefit of such Funds.

**The SPV**

Outside investors in the SPV are charged no management fee, but may be charged a performance-based fee of 20% of realized profits on the earlier of the redemption date of the investor's interests or the liquidation date of the SPV, which fee Mason may waive in its discretion.

As set forth more fully in the SPV's Operating Agreement, the SPV is generally responsible for expenses incurred in the operation of the SPV, including, but not limited to expenses incurred in the buying, selling and holding of securities, as well as expenses related to the SPV's fund administration, legal, accounting and tax related services.

Investors in any future classes of Mason Funds, or investors in Clients that Mason may advise in the future may bear different fees and expenses than those described above. For example, Mason may, from time to time, provide investment management services to other co-investment vehicles or separately managed accounts with the same or different fee structures to the Funds.

**Other Expenses**

Mason may also allocate a portion of certain Clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, Clients will indirectly incur similar fees and expenses if Mason invests their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

For a more detailed discussion of brokerage and transaction costs, see Item 12 – Brokerage Practices.

**Allocation of Expenses**

As Mason manages investments on behalf of a number of Funds, Mason will be required to allocate expenses among the various Funds. Mason will allocate expenses based on metrics that Mason in its discretion determines to be fair and equitable based on the facts and circumstances surrounding the investments and expenses.



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

As noted above, with respect to the Event Funds and the Inflation Funds, the Investment Manager receives, and reserves the right to charge now and in the future, performance-based compensation for its management services, which for the Onshore Fund, the Master Fund, the Inflation Onshore Fund, and the Inflation Master Fund is up to 20% of the net income, if any, attributable to each series of shares/interests offered by those Funds during that fiscal year. The Investment Manager's right to receive performance-based compensation from the Onshore Fund, the Master Fund, the Inflation Onshore Fund, and the Inflation Master Fund is subject to a so-called "high water mark." For the SPV, Mason is generally entitled to receive performance-based compensation of 20% of realized profits, though such fee may be waived in Mason's discretion.

If Mason becomes manager for additional private fund entities and/or enters into an agreement to manage a separate account, Mason may charge different performance-based compensation for such Clients, depending upon Mason's agreement with any such Client and the account mandate. In managing assets for multiple Clients with different fee structures, Mason may face possible conflicts of interest, as there may be greater possible financial benefit to Mason for investing assets of one Client's account over another Client's account based on fee structure. Mason addresses this possible conflict of interest through its trade allocation policy, in which investment opportunities are allocated among Clients according to each Client's investment objectives and what Mason believes to be in a fair and equitable manner. To the extent Mason trades the same security on behalf of multiple Clients, Mason may, but is not obligated to, trade for those Clients' accounts in *pari passu*. Where trades must be allocated between Client accounts on such basis, allocation of a trade is typically made based on the net asset value of each of the Client accounts at the beginning of each month, unless the account's mandate specifies otherwise, in which case the account mandate controls. The amount of performance-based compensation Mason might receive from such Clients would not be considered by Mason in making allocation decisions.

As a general matter, Mason does not accept investments in any of the Mason Funds or from any new investor who is not a qualified client and will not charge a performance-based fee to any managed account Client that is not a qualified client, except as permitted by applicable rule or law.

**Item 7 – Types of Clients**

The Investment Manager provides portfolio management services to the Mason Funds and in its sole discretion may provide such services to managed accounts. Investors in the Mason Funds may include individuals and family offices; pension plans; charitable institutions, foundations and endowments; funds of funds; and sovereign wealth; and, may include, directly or indirectly, principals and/or employees of Mason eligible to invest.

Mason does not accept investments in any of the Mason Funds from any new investor who is not a qualified client.

As of the date of this Brochure, the Onshore Fund, Offshore Fund, Inflation Onshore Fund and Inflation Offshore Fund have a minimum initial subscription requirement of US\$1,000,000, which may be reduced for any investor in such Fund at the discretion of the directors or General Partners, as the case may be, of such Fund. Mason reserves the right to increase the minimum initial subscription requirement for its Funds and to impose in the future a minimum account size and other requirements for starting and maintaining a managed account.

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





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**All securities investments risk the loss of capital, and, as such Clients should be prepared to bear this risk before investing.**

***See Item 4 for information regarding investment strategies and methods of analysis used by Mason to manage assets for its Clients.***

**Risk of Loss:**

While the Investment Manager devotes its best efforts to the management of the Mason Funds' portfolios, there can be no assurance that the Funds will not incur losses. The nature of the securities to be purchased and traded and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. Many unforeseeable events, including actions by various government agencies, and domestic and international political events, may cause sharp market fluctuations.

An investment in a Mason Fund is speculative and is suitable only for investors who can tolerate substantial risks. An investor may lose some or all of its investment. Prospective investors should carefully consider the risks involved in an investment in each Mason Fund, including, without limitation, those discussed below. There is no assurance that the Funds will be successful and will achieve the investment objectives. A subscription for interests in a Fund should be considered only by sophisticated investors who have carefully read this document and the offering memorandum of the Fund in which an investor has an interest, and who understands the risks involved. An investment in a Fund should be made only after consulting with independent, qualified sources of investment, legal, tax, accounting and other advice. The risks of investing in a Fund include, without limitation, those set forth below, and could have a material adverse effect on a Fund and the investors' investment therein.

**General**

The transactions in which the Mason Funds will engage involve substantial risks. Growing competition may limit the Funds' ability to take advantage of trading opportunities in rapidly changing markets or to access investment opportunities believed to be attractive. No assurance can be given that investors will realize a profit on their investments in the Funds. Moreover, investors may lose all or some of their investments in the Funds.

Due to the nature of the Funds' trading and investment activities, the results of the Funds' operations may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods. The Funds are not a complete investment program and should represent only a portion of an investor's portfolio management strategy.

**The following represent risks presented by an investment in Mason Funds. Not all risks may apply at any particular time, particularly with respect to investments of the Inflation Funds and SPV, which, as noted above, invest only in limited types of securities.**

**Risks Relating to the Funds' Investments**

*Overall Investment Risk.* All securities investments involve the risk of loss of capital. The nature of the securities to be purchased and traded by the Funds and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. The identification and exploitation of investment opportunities involve uncertainty, and no assurance can be given that the Investment Manager will be able to identify promising investment opportunities or to correctly exploit inefficiencies in the markets. In addition, the use of



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certain strategies and instruments, including derivatives such as options, which are themselves inherently volatile may increase the Funds' exposure to specific market movements. Many unforeseeable events, including actions by governmental authorities, such as the Federal Reserve Board, may cause sharp market fluctuations that impact the Funds' investments.

*Concentration in Management Strategies and Certain Investment Categories.* The Investment Manager is not required to take a diversified investment approach with the Funds, and accordingly significant portions of the Funds' assets may be concentrated in a small number of strategies, issuers, geographic regions or industries. To the extent the Funds concentrate investments in a particular strategy, issuer, geographic region or industry, their investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto.

*Event-Driven.* The Event Funds do, and the Inflation Funds may, engage in event-driven investing. The success this strategy depends upon the Investment Manager's ability to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Investment Manager had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Funds of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable U.S. federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the results of the Funds' operations may be expected to fluctuate from period to period. Accordingly, Shareholders should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

*Merger Arbitrage.* The success of the Funds' merger or "risk" arbitrage strategy depends upon the Investment Manager's ability to identify and exploit merger activity to capture (or sell short) the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Merger arbitrage investments often incur significant losses when anticipated merger or acquisition transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political factors; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Merger arbitrage positions also are subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. Merger arbitrage strategies also depend for success on the overall volume of merger activity, which historically has been cyclical in nature.



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*Balance Sheet Arbitrage.* The success of any use by the Investment Manager of a balance sheet arbitrage strategy will depend on the ability of the Investment Manager to identify and exploit the relationships between movements in different securities and instruments within an issuer's capital structure. If the perceived pricing inefficiencies underlying an issuer's securities fail to materialize as expected by the Investment Manager, a loss would result.

*Capital Structure Arbitrage.* The Funds may engage in capital structure arbitrage investing. The success of this strategy depends upon the Investment Manager's ability to identify and exploit the relationships between movements in different securities within an issuer's capital structure (including, bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. There can be no assurance that the Investment Manager will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which the Funds will seek to invest will reduce the scope for the Fund's investment strategies. In the event that the perceived mispricings underlying the Fund's positions fail to materialize, these investment strategies could be unsuccessful or result in losses.

*Convertible Arbitrage.* The Funds may engage in convertible arbitrage investing. The success of this strategy depends upon the Investment Manager's ability to identify convertible securities that appear incorrectly valued relative to their theoretical value, purchase (or sell short) such a convertible security and sell short (or purchase) the underlying security for which the convertible security can be exchanged to exploit price differentials. There can be no assurance that the Investment Manager will be able to identify convertible arbitrage opportunities or that changes in price differentials will not cause losses. Borrowing and lending against such investments involves substantial risks. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks.

*Structured Product Arbitrage.* The success of the Funds' structured product arbitrage strategy depends upon the Investment Manager's ability to identify and exploit the inefficient pricing of portfolio risk and the implicit correlations of time to default with respect to various categories of structured products and derivatives. In the event that the perceived mispricings underlying the Funds' positions were incorrect, the Funds could incur losses. In addition, the lack of an established, liquid secondary market for some structured products (including CDOs) may make it difficult to realize the perceived value of such Securities.

*Investments in Distressed Companies.* The Funds may invest in securities of issuers that are in a weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. The securities of such issuers are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition,



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there is no minimum credit standard that is a prerequisite to the Funds' investments in any investment. Obligations in which the Funds invest may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing the Funds' investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which the Funds invest, the Funds may lose their entire investment, may be required to accept cash, securities or other instruments with a value less than their original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Funds' investments may not compensate the Shareholders adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security in respect to which such distribution was made.

*Bankruptcy Cases.* The Funds' investments may include debt and equity of financially distressed issuers. In the event that the issuer files for bankruptcy protection, the Funds will likely be unable to sell their claims without realizing a significant loss and may be unable to recover current interest on such claims during the course of the bankruptcy case. The markets in U.S. bankruptcy claims are generally not regulated by U.S. federal securities laws or the SEC. To the extent the debt investment is unsecured (i.e., has no collateral securing repayment), such claims may have a lower priority than secured claims (which have first recourse to the collateral securing such claim). In addition, the debt of an issuer in bankruptcy may be adversely affected by an erosion of the issuer's business and overall value. Accordingly, there can be no guarantee that a debtor will be able to satisfy all of its liabilities or that the Funds will be able to recover the entire amount of their bankruptcy claim.

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to appear and be heard, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Funds (in their role as creditor). Furthermore, there are instances where creditors lose their priority under Title 11 of the United States Code (the "Bankruptcy Code") (i.e., are equitably subordinated) if, for example, they have engaged in misconduct that harms other creditors. In those cases where the Funds are found to have engaged in such misconduct, the Funds may lose their priority.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, the approval of the plan by creditors and confirmation of the plan by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Funds; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the issuer may not be able to reorganize and may be required to sell its assets either as a going concern or as part of a liquidation. As a result, even in those circumstances where the Funds may recover the entire amount of their bankruptcy claim, the Funds may be adversely impacted by any costs incurred in representing their interests in a debtor's bankruptcy case.



U.S. bankruptcy law permits the classification of “substantially similar” claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Funds’ influence with respect to a class of securities can be lost by virtue of the size of their claim relative to the claims of the entire class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for certain taxes) may impair the recovery of an investment in a bankruptcy claim.

The Funds intend to invest some of their assets in debt of issuers domiciled, or assets located, globally. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

The Investment Manager, on behalf of the Funds, may elect to serve on creditors’ committees, equityholders’ committees or other groups to ensure preservation or enhancement of the Funds’ positions as a creditor or equityholder. A member of any such committee or group may owe a fiduciary duty and be subject to certain obligations to all members the committee represents and/or to other similarly situated parties. The Investment Manager may resign from that committee or group for any reason, including, for example, if the Investment Manager concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Funds. In such case, the Funds may not realize the benefits, if any, of participation on the committee or group. In addition, if the Funds are represented on a committee or group, they may be restricted or prohibited under applicable law from disposing of or increasing their investments in such company while they continue to be represented on such committee or group.

Reorganizations can be contentious and adversarial, and it is by no means unusual for participants to use the threat of litigation and to engage in litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Funds.

*Special Situations.* The Funds may also make speculative purchases of “special situation” securities. Such purchases may include securities that the Investment Manager believes to be undervalued, or may involve situations where a significant position in the securities of a particular company has been acquired by other persons or where companies in the same or a related industry have recently been the target of acquisition attempts. If the Funds purchase securities in anticipation of an acquisition attempt or reorganization, and no acquisition attempt or reorganization occurs during the timeframe anticipated by the Investment Manager, the Funds may sell the securities at a loss. A substantial period of time may elapse between the Funds’ purchase of the securities and the acquisition attempt or reorganization. During such a period, a portion of the Funds’ assets would be committed to the securities purchased, and the Funds will continue to pay interest on any funds borrowed by the Funds to finance such purchases.

In liquidations and other forms of corporate reorganizations, there is a risk that the reorganization will be unsuccessful, will be delayed or will result in a distribution of cash or a new security with a value less than the purchase price of the security originally purchased by the Funds.

The Investment Manager attempts to assess all of the foregoing risk factors, and others, in determining the nature and extent of the investment the Funds will make in specific “special situation” securities. However, many risks, such as the outcome of governmental approvals or the outcome of pending or threatened litigation, cannot be quantified.



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*Activist Investing.* The Funds may engage in activist investing. The success of this strategy depends upon, among other things: (i) the Investment Manager's ability to properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) the Funds' ability to acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) the Funds' ability to avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) the willingness of the management of such portfolio companies and other security holders to respond positively to the Investment Manager's proposals; and (v) favorable movements in the market price of any such portfolio company's securities in response to any actions taken by such portfolio company. There can be no assurance that any of the foregoing will occur.

Corporate governance strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or investors of the subject company, which may result in litigation and may erode, rather than increase, the value of the subject company; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in the prices of securities; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or the Funds and such regulatory agencies may independently investigate the participants in a transaction, including the Funds, as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of investors and others with an interest in the subject company. Some investors may have interests which diverge significantly from those of the Funds, and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Investment Manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe the Investment Manager anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow the Funds to dispose of all or any of their securities therein or to realize any increase in the price of such securities.

*Proxy Contests and Unfriendly Transactions.* The Funds may purchase securities of a company that is the subject of a proxy contest on the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the Funds to suffer a loss.

In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial cost and expense on the company participating in the transaction.

*Leverage for Investment Purposes.* The use of leverage will allow the Funds to make additional investments, thereby increasing their exposure to assets, such that their total assets may be greater than their capital. However, leverage will also magnify the volatility of changes in the value of the Funds' portfolio. The effect of the use of leverage by the Funds in a market that moves adversely to their investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged.





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*Collateral.* The instruments and borrowings utilized by the Funds to leverage investments may be collateralized by all or a portion of the Funds' portfolio. Accordingly, the Funds may pledge securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call", pursuant to which the Funds must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to the Funds can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Funds may have similar rights. There can be no assurance that the Funds will be able to secure or maintain adequate financing.

*Costs.* Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Funds' portfolio.

*Availability of Margin Loans and Other Financing Arrangements.* There can be no assurance that the Funds will be able to maintain desired financing arrangements under all market circumstances. As a general matter, the brokers and dealers that provide financing to the Funds can apply essentially discretionary margin, "haircuts," financing and security and collateral valuation policies. Changes by brokers and dealers in one or more of these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in substantial margin calls, loss of financing, forced liquidations of positions at disadvantageous prices (or on unfavorable terms), termination of prime brokerage, swap and repurchase agreements. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly or by multiple brokers and dealers and counterparties simultaneously.

*Hedging Transactions.* The Funds may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of their investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Funds' portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds' securities; (vii) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (viii) act for any other reason that the Investment Manager deems appropriate. The success of the Funds' hedging activity will depend, in part, upon the Investment Manager's ability to correctly assess the degree of correlation between the performance of the instruments used for hedging purposes and the performance of the portfolio investments being hedged. The characteristics of many securities change as markets change or time passes. Consequently, the success of the Funds' hedging activity will also be subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. The Funds will not be required to hedge any particular risk in connection with a particular transaction or the portfolio generally. The Investment Manager may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.



*Equity Securities, Generally.* The Funds will engage in trading equity securities. Market prices of equity securities generally, and of certain companies' equity securities more particularly, frequently are subject to greater volatility than prices of fixed-income securities. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumors of accounting irregularities.

*Common Stock.* The Funds invest in common stock. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.

*Securities of Small Capitalization Companies.* The Funds invest in securities of small capitalized issuers which may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, many small- and medium-size companies are not well-known to the investing public, do not have significant institutional ownership and are followed by relatively few analysts, and thus there may tend to be less publicly available information concerning such companies compared to what is available for companies that have larger market capitalizations. Finally, some securities traded in the over-the-counter ("OTC") market may have fewer market makers, wider spreads between their quoted bid and asked prices and lower trading volumes, resulting in comparatively greater price volatility and less liquidity than the securities of companies that have larger market capitalizations.

*Short Sales.* The Funds engage in selling securities short. Short selling involves selling securities that are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit thus increasing to the Funds the cost of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Funds secure a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Funds.





*Debt Obligations, Generally.* The Funds invest in debt securities. Debt obligations are subject to credit and interest rate risks. “Credit risk” refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the term of an instrument, and debt obligations that are rated by rating agencies are often reviewed and may be subject to downgrade. “Interest rate risk” refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed-rate debt securities) and directly (especially in the case of debt instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed-rate debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree, depending on the characteristics of the reset terms, including the index chosen, frequency of reset, and reset caps or floors, among other factors. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. There is also a risk that the general condition of the debt markets may deteriorate. Prices of debt securities fluctuate and are susceptible to general stock market fluctuations and to changes in market confidence and perceptions of their issuers.

*Below Investment-Grade Securities.* There is no minimum credit standard that is a prerequisite to the Funds’ investment in any instrument, and a significant portion of the Funds’ investments from time to time may be in fixed-income securities which are or are deemed to be the equivalent in terms of quality to securities rated below investment grade by a nationally recognized statistical rating organization such as Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Services and accordingly involve great risk. Companies that issue such securities are often highly leveraged and may not have access to more traditional methods of financing. While all security investments have some degree of risk, these types of securities may be subject to greater market fluctuations and risk of loss of income and principal than are investments in lower yielding fixed income securities with higher ratings. It may take a number of years for the market price of such securities to reflect their intrinsic value. It is anticipated that some of the portfolio securities of the Funds may not be widely traded, and that the Funds’ positions in such securities may be substantial in relation to the market for the securities. In addition, such securities generally are traded in the OTC marketplace, which is less transparent than the markets for securities traded on organized exchanges. The Funds also may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

*Second Lien Loans.* The Funds may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy which can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products. Beginning in August 2007, the market for many loan products, including second lien loans, contracted significantly which made virtually all leveraged loan products, particularly second lien loan products, less liquid or illiquid. Many



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participants ceased underwriting and purchasing certain second lien loan products. There can be no assurance that the market for second lien loans will not contract again.

*Bankruptcy Claims.* The Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Bankruptcy claims are usually illiquid and generally do not pay interest, and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated under federal securities laws. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. Under judicial decisions, the purchase of a bankruptcy claim may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which might result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

*Index Futures.* The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds also is subject to the Investment Manager's ability to correctly predict movements in the direction of the market.

*Non-U.S. Futures Transactions.* Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the Funds may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

*Lack of Control.* The Funds may invest in debt instruments and equity securities of companies that it does not control, which the Funds may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Funds do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Funds' interests. In addition, the Funds may share control over certain investments with co-investors, which may make it more difficult for the Funds to implement their investment approach or exit the investment when they otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the Funds and investors' investments therein.



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*Reliance on Corporate Management and Financial Reporting.* In some cases, the Investment Manager will rely on the financial information made available by the companies in which the Funds invest. The Investment Manager generally will not have the ability to independently verify such financial information, and generally will be dependent upon the integrity of both the management of these borrowers and issuers and the financial reporting process in general. Material losses can occur as a result of corporate mismanagement, fraud and accounting irregularities.

*Securities of Non U.S. Issuers.* Investing in the securities of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Funds may be unable to structure their transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds' rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the Commodity Futures Trading Commission (CFTC) or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

*Non-U.S. Exchanges and Markets.* The Funds trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

*Emerging Markets.* Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation, (ii) greater social, economic and political uncertainty including war, (iii) higher dependence on exports and the corresponding importance of international trade, (iv) greater volatility, less liquidity and smaller capitalization of securities markets, (v) greater volatility in currency exchange rates, (vi) greater risk of inflation, (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. Dollars, (viii) increased likelihood of governmental involvement in and control over the economies, (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies, (x) differences in auditing and financial reporting standards, which may result in the unavailability of material information about issuers, (xi) less extensive regulation of the securities markets, (xii) longer settlement periods for securities transactions and less reliable clearance and custody arrangements, (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of



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investors, and (xiv) risks associated with the maintenance of Fund securities and cash with non-U.S. brokers and securities depositories.

*Currency Exposure.* The Funds may invest in securities denominated in currencies other than the U.S. dollar. The Funds, however, value their securities in U.S. dollars. The Funds may or may not seek to hedge their non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Funds wish to use them, or that hedging techniques employed by the Funds will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Funds' positions denominated in currencies other than the U.S. dollar will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

*Residential Mortgage-Backed Securities (RMBS).* Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the mortgaged property is located, the terms of the mortgage loan, the borrower's "equity" in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

Investments in RMBS may experience losses or reduced yield if, for example, (i) the borrower of an underlying residential mortgage loan defaults or is unable to make payments, (ii) the underlying residential mortgage loans are prepaid, (iii) there is a general decline in the housing market, or (iv) violations of particular provisions of certain U.S. federal laws by an issuer of RMBS limit the ability of the issuer to collect all or part of the principal of or interest on the related underlying loans.

*Asset-Backed Securities (ABS).* ABS are not secured by an interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of U.S. federal and state consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than certain other types of loans and is less likely to experience substantial prepayments. ABS are often backed by pools of any variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The



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value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

*Substantial Charges to the Funds.* The Funds will be subject to substantial charges, including the Management Fee, Incentive Allocation and the fees and expenses of the Funds. The trading performance of the Funds must exceed the amount of these charges in order to avoid losses.

*Portfolio Turnover; Transaction Costs.* The investment strategy of the Funds may involve frequent investment transactions. As a result, turnover and brokerage commission expenses of the Funds may exceed those of other investment funds and vehicles of comparable size. These expenses must be borne by the Funds regardless of the profitability of the Funds' investment activities.

*Options Trading.* The Funds may purchase and sell call and put options on securities and other investments. Both the *purchase* and the sale ("writing") of call and put options entail risks.

*Call and Put Options.* The Funds may incur risks associated with the sale and purchase of call options and put options. Under a conventional cash-settled option, the purchaser of the option pays a premium in exchange for the right to receive upon exercise of the option (i) in the case of a call option, the excess, if any, of the reference price or value of the underlier (as determined pursuant to the terms of the option) above the option's strike price or (ii) in the case of a put option, the excess, if any, of the option's strike price above the reference price or value of the underlier (as so determined). Under a conventional physically-settled option structure, the purchaser of a call option has the right to purchase a specified quantity of the underlier at the strike price, and the purchaser of a put option has the right to sell a specified quantity of the underlier at the strike price.

A purchaser of an option may suffer a total loss of premium (plus transaction costs) if that option expires without being exercised. An option's time value (*i.e.*, the component of the option's value that exceeds the in-the-money amount) tends to diminish over time. Even though an option may be in-the-money to the purchaser at various times prior to its expiration date, the purchaser's ability to realize the value of an option depends on when and how the option may be exercised. For example, the terms of the transaction may provide for the option to be exercised automatically if it is in-the-money on the expiration date. Conversely, the terms may require timely delivery of a notice of exercise, and exercise may be subject to other conditions (such as the occurrence or non-occurrence of certain events, such as knock-in, knock-out or other barrier events) and timing requirements, including the "style" of the option.

Uncovered option writing (*i.e.*, selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the reference price or value of the underlier declines below the exercise price by more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

*Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of





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instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

*Futures Contracts.* The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of their clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent them from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

*Forward Contracts.* The Funds may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Funds. In their forward trading, the Funds will be subject to the risk of the failure of, or the inability or refusal to perform with respect to their forward contracts by, the principals with which the Funds trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Manager may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

*Mutual Funds and Exchange-Traded Funds (ETFs).* Mutual funds and ETFs purchase and sell securities, such as stocks, commodities and bonds (or have exposures to such securities through swaps and other derivative instruments). The Funds may invest in mutual funds and ETFs, and some of the mutual funds and ETFs purchased for the Funds' portfolio may concentrate heavily in a particular asset category or sector. These categories could include, among others, sector funds, blue chip stock funds, small capitalization stock funds, growth funds, bond funds and international funds; such funds may specialize even further on the basis of country or region of the world and engage in the use of leverage and short selling. Investors in mutual funds and ETFs generally bear all of their expenses, including fees of the investment adviser and custodian, brokerage commissions and legal and accounting fees. As a result, investors will be paying two levels of advisory compensation -- the Management Fee and the Incentive Allocation to the Investment Manager and the General



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Partners and the advisory fee charged by the investment adviser of any mutual funds and ETFs in the Funds' portfolio. The foregoing compensation and expenses may be expected to result in a higher cost of investment than would be the case if investors were to invest directly in the mutual funds and ETFs in which the Funds invest. As a result, the returns realized by the investors from the Funds' activities will be less than the returns Investors would realize from engaging in the same activities directly.

*Investments in Initial Public Offerings.* The Funds may, from time to time, purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, illiquidity, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Funds to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospect of achieving them.

*Cryptocurrency Risk.* The Funds may invest in cryptocurrency – often referred to as “virtual currency,” “digital currency,” or “digital assets,” including bitcoin, either directly or indirectly through a pooled investment vehicle or trust. Cryptocurrencies are usually not backed by a central bank or a nation, supra national or quasi national organization, any hard assets, human capital or any form of credit. A cryptocurrency's value is market-driven and determined by supply and demand factors, the number of merchants that accept it, and/or the value that various market participants place on it through their mutual agreement, barter or transactions. A principal risk in trading cryptocurrency is price volatility. Prices may fluctuate rapidly and significantly, and high price volatility can undermine cryptocurrencies' role as a medium of exchange as consumers or retailers are much less likely to accept them as a form of payment. The performance of an investment in cryptocurrency may be affected by a wide variety of complex and difficult to predict factors such as cryptocurrency supply and demand; rewards and transaction fees for the recording of transactions on the blockchain; availability and access to cryptocurrency service providers (such as payment processors), exchanges, miners or other cryptocurrency users and market participants; perceived or actual cryptocurrency network or asset security vulnerability; inflation levels; fiscal policy; interest rates; and political, natural and economic events.

In addition, cryptocurrencies face service provider risks. Several companies and financial institutions provide services related to the buying, selling, payment processing and storing of virtual currency (i.e., banks, accountants, exchanges, digital wallet providers, and payment processors). However, there is no assurance that the virtual currency market, or the service providers necessary to accommodate it, will continue to support cryptocurrencies, continue in existence or grow. Further, there is no assurance that the availability of and access to virtual currency service providers will not be negatively affected by government regulation or supply and demand of cryptocurrencies. Accordingly, companies or financial institutions that currently support virtual currency may not do so in the future.

Cryptocurrencies also face risk associated with possible government regulation. Regulatory regimes regarding cryptocurrencies are not fully developed and it is possible that any jurisdiction may, in the near or distant future, adopt laws, regulations, policies or rules impacting cryptocurrencies generally or specific assets or networks. Such actions may restrict the right to acquire, own, hold, sell, convert, trade, or use cryptocurrencies or to exchange digital assets for other currencies, which, in turn may impact the value and price volatility of cryptocurrencies.



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*Risks Relating to Virtual Currency Derivatives.* As a member of the NFA, the Investment Manager is subject to the NFA's regulatory oversight and examinations regarding its trading in commodity interests in a commodity pool. Among such contracts, the Investment Manager may engage in trading virtual currency derivatives for the Funds. Virtual currency derivatives, such as futures or options on futures on a virtual currency, are a relatively new asset class, and trading in these instruments, like trading in the virtual currencies themselves, carries a high level of risk. Investments in virtual currency derivatives, like direct investments in virtual currencies, should be considered substantially more speculative and significantly more likely to result in a total loss of capital than many other investments. Important risk factors for trading in virtual currency derivatives are outlined below. Many of these risk factors mirror, or derive from, risks inherent in virtual currencies as an asset class.

*American Depositary Receipts and Global Depositary Receipts.* American Depositary Receipts (ADRs) are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by non-U.S. issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts (GDRs) are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on non-U.S. stock exchanges or non-U.S. over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale of disposition proceeds, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

*PIPE Transactions.* Private investments in public companies whose stocks are quoted on stock exchanges or which trade in the over-the-counter securities market, a type of investment commonly referred to as a "PIPE" transaction, may be entered into with smaller capitalization public companies, which will entail business and financial risks comparable to those of investments in the publicly-issued securities of smaller capitalization companies, which may be less likely to be able to weather business or cyclical downturns than larger companies and are more likely to be substantially hurt by the loss of a few key personnel. In addition, PIPE transactions will generally result in the Funds acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an investment may be illiquid. The Funds' ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration. Alternatively, it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the Securities Act, or otherwise under the U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Funds are able to have securities acquired in a PIPE transaction registered or sell such securities through an exempt transaction, the Funds may not be able to sell all the securities on short notice, and the sale of the securities could lower the





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market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Funds' investments.

*Restricted Securities.* Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by the Funds. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

*Changes in Investment Strategies.* The investment strategies of the Investment Manager may be modified without prior approval by, or notice to, the Funds or their investors if the Investment Manager determines that such modification is in the best interests of the Fund. Any such modification could result in exposure of the Funds' assets to additional risks not disclosed herein, which could be substantial.

**Risks Relating to Market Conditions Generally**

*Economic and Market Conditions.* The Funds' investments may be adversely affected by changes in general economic and market conditions that are beyond the Investment Manager's control, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, volatility caused by public health crises such as pandemics, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

*Governmental Interventions.* Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Funds' strategies.

*Brexit.* The United Kingdom's withdrawal from the European Union could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the European Union, the EEA and globally. It is not possible to ascertain the precise impact these events may have on the Funds or the Investment Manager from an economic, financial or regulatory perspective but any such impact could have material consequences for the Funds.

*Financial Markets and Regulatory Change.* The laws and regulations affecting businesses continue to evolve in an unpredictable manner. Laws and regulations, particularly those involving taxation, investment and trade, applicable to the Funds' activities can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the interests of the Funds. The Funds and the Investment Manager may be or may become subject to unduly burdensome and restrictive regulation. In particular, in



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response to significant recent events in international financial markets, governmental intervention and certain regulatory measures have been or may be adopted in certain jurisdictions, including restrictions on short selling of certain securities in certain jurisdictions.

The current global economic and political climate continues to be one of uncertainty. A climate of uncertainty may reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, reducing the accuracy of the Investment Manager's financial projections. Furthermore, such uncertainty may have an adverse effect upon the companies in which the Funds make investments. Unpredictable or unstable market conditions may also make it more difficult for the Funds to exit and realize value from their investments. It is important to understand that the Funds could incur material losses even if the Funds react quickly to difficult market conditions, and the Funds may suffer material adverse effects from broad and rapid changes in market conditions.

*Coronavirus Risks Not.* In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, surfaced in Wuhan, China. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. Such disruptions continue to be felt, as many countries and U.S. states struggle to contain the virus and its variants. The short-term and long-term impact of COVID-19 on the operations of the Investment Manager and the performance of the Funds is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Funds.

### **Risks Relating to Operations and Activities of the Funds**

*Lack of Liquidity.* The Investment Manager takes into account the liquidity of the Funds' assets in making investment decisions for the Funds. Certain investments (especially those in financially distressed companies or securities received following the reorganization of a financially distressed company) may have to be held for a substantial period of time before they can be liquidated to the Funds' greatest advantage or, in some cases, at all. In addition, the Funds may hold securities that are illiquid and for which no market exists. Illiquid securities carry the risk that a buyer may not be found for such securities. Also, the Funds may hold securities that are subject to legal or contractual restrictions which may restrict the Funds' ability to dispose of the securities when they might otherwise desire to do so.

Even in the case of more liquid securities, futures contracts and options thereon, it may not always be possible for the Funds to execute a buy or sell order at the desired price or to liquidate a position, either due to market conditions on exchanges or due to the operation of "circuit breakers" (in the case of equity securities) or daily price fluctuation limits (in the case of futures contracts and options thereon). During a single trading day, no trades may be executed at prices beyond the daily limit. In addition, the Funds may not be able to execute trades at favorable prices if little trading in the contracts they wish to trade is taking place. It is also possible that an exchange or governmental authority may suspend or restrict trading, order the immediate settlement of a particular futures contract or order that trading in a particular futures contract be conducted for liquidation purposes only. Options trading may be restricted in the event that trading in the underlying instrument becomes restricted, and options trading may itself be illiquid at times, irrespective of the condition of the



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market of the underlying instrument, making it difficult to offset option positions in order to realize gain thereon, limit losses or change positions in the market.

*Suspensions of Trading.* For securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in certain or all securities that it lists. Such a suspension could render it temporarily impossible for the Funds to liquidate their positions, and thereby expose the Funds to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough for the Funds to close out positions.

*Volatility Risk.* The Funds' investment program may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by the Funds.

*Counterparty Risk.* The Funds expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Funds' trading activities, create losses, preclude the Funds from engaging in certain transactions or prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

The Funds may effect transactions in the OTC derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, the Funds enter into a contract directly with dealer counterparties which may expose the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, the Funds may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Funds had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that the Funds post collateral.

If there is a default by a counterparty, the Funds under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Funds' securities from such counterparty or the payment of claims therefor may be significantly delayed and the Funds may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether the Funds may terminate their agreement with an insolvent counterparty.

Collateral that the Funds post to counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Funds may become subject to the risk that they may not receive the return of their collateral or that the collateral may take some time to return.

In addition, the Funds may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to



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the Funds' assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Funds and their assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Funds' securities from or the payment of claims therefor by such counterparty and a loss to the Funds, which could be material.

*Exposure to Material Non-Public Information.* From time to time, the Investment Manager or its affiliates may, for a variety of reasons, come into possession of material, non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Funds may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

*Lender Liability and Equitable Subordination.* Judicial decisions have, at times, upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In addition, under common law principles, a court may elect to subordinate the claim of a lender to the claims of one or more creditors (a remedy called "equitable subordination") if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors or (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors. A significant number of investments may involve participation in loans where the Funds are not the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting investments made by the Funds could arise without the direct involvement of the Funds.

*Fraudulent Conveyances and Preferences.* Various federal and state laws enacted for the protection of creditors may apply to the investments made by the Funds by virtue of the Funds' role as a creditor with respect to such investments made by the Funds. For example, if a federal or state court adjudicating a lawsuit brought by an unpaid creditor or representative of creditors of a borrower were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment made by the Funds and the grant of any security interest or other lien securing such investment made by the Funds, and, after giving effect to the incurring of such indebtedness, the borrower was insolvent or its financial condition was approaching insolvency, then such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the bankruptcy of an issuer under the U.S. Bankruptcy Code, payments made to the Funds (or other value received by the Funds) in relation to their investments in such issuer could be subject to avoidance as a "preference" and recaptured if made within a certain period of time before insolvency, depending on a number of factors. Similar doctrines may apply under the laws of other jurisdictions, and the measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. If payments made by the borrower are voidable, whether as fraudulent conveyances or preferences, such payments generally can be recaptured either from the initial recipient (such as the Funds) or from subsequent transferees of such payments.



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*GAAP Net Asset Value Divergence.* Due to GAAP requirements, the net asset value of the Funds for purposes of GAAP-compliant financial reporting may diverge from the net asset value of the Funds for all other purposes, including for purposes of allocating gains and losses, which is relevant to, among other things, calculating the Management Fee and the Incentive Allocation owed to the Investment Manager and calculating the amounts payable by the Fund in respect of a withdrawal by or distribution to an investor in the Funds. Net asset value divergence may occur, for example, in connection with the amortization of the organizational and initial offering expenses of the Funds, the measuring of fair value (as a result of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820), or the recognition or unrecognition of uncertain tax positions (as a result of FASB ASC 740).

*Significant Positions in Securities; Regulatory Requirements.* In the event that the Funds acquire a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Funds may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Funds and the Investment Manager. Any such requirements may impose additional costs on the Funds and may delay the acquisition or disposition of the securities or the Funds’ ability to respond in a timely manner to changes in the markets with respect to such securities.

**Risks Relating to the Funds and the Investment Manager**

*Dependence on the Investment Manager.* The success of the Funds is dependent upon the ability of the Investment Manager to manage the Funds and effectively implement the Funds’ investment program. The Funds’ governing documents do not permit investors to participate in the management and affairs of the Funds. If the Funds or any of the other accounts managed by the Investment Manager were to incur substantial losses or were subject to an unusually high level of redemptions or withdrawals, the revenues of the Investment Manager may decline substantially. Such losses and/or redemptions may impair the Investment Manager’s ability to provide the same level of service to the Funds as it has in the past and continue operations. The loss of the services of the Investment Manager could have a material adverse effect on the Funds and investors’ investments therein.

*Dependence on Management.* The Funds’ success depends on the skill and acumen of the Investment Manager, who will have investment discretion over the Funds’ assets. The death, incapacity or retirement of either Mr. Garschina or Mr. Martino may adversely affect investment results.

*Dependence on Key Personnel.* The Investment Manager is dependent on the services of certain key personnel, and if the services of such key personnel were to become unavailable, the Directors and/or General Partners might deem it in the Funds’ best interest to terminate the Funds.

*Dependence on Service Providers.* The Funds are also dependent upon counterparties and the businesses that are not controlled by the Investment Manager that provide services to the Funds (the “Service Providers”). Examples of Service Providers include the Administrator, a Prime Broker, a Custodian, Legal Counsel and the auditors. Errors are inherent in the business and operations of any business, and although the Investment Manager will adopt measures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact with counterparties and Service Providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on the Funds and investors’ investments therein.



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*Investment and Due Diligence Process.* Before making investments, the Investment Manager will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Investment Manager may be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, the Investment Manager will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Investment Manager at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

*Increased Regulatory Oversight.* Increased regulation and regulatory oversight of private investment funds and their managers may impose administrative burdens on the Investment Manager, including, without limitation, responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert the Investment Manager's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof). Regulatory inquiries often are confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

*Contingent Liabilities.* A Fund may find it necessary upon the withdrawal/redemption of an investor to set up a reserve for undetermined or contingent liabilities and withhold a certain portion of the withdrawal/redemption amount. This could occur, for example, in the case of lawsuits or other events that are not a part of the regular operations of the Funds.

*Mandatory Withdrawal.* The Funds may require an investor to redeem shares, or withdraw as a limited partner, through forced redemption under the circumstances described in the applicable PPM and Fund organizational documents.

*Significant Withdrawals by Investors.* At times, one or more Investors might hold Fund Interests that comprise a large percentage of the total interests in the Funds. If such an Investor were to withdraw all or a significant portion of its capital account in the Funds, the Investment Manager may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. A similar risk exists in relation to significant withdrawals and redemptions by investors in Mason Funds with investment objectives that are the same as, or overlap with, that of the Funds. In addition, any forced sale of certain of the Funds' investments to meet withdrawal requests could adversely affect the value of and diversification of the Funds' portfolio. Furthermore, if large withdrawals from the Funds occur, the Funds may be forced to sell illiquid holdings at less than optimal times and prices, or, alternatively, the Funds may sell liquid holdings and, consequently, the remaining Investors would be exposed to a higher concentration of illiquid holdings.

*Investment Proceeds Realized Following Write-Downs.* From time to time, the General Partners may write down an investment held by the Funds in part or in full. Such write-down will be reflected in the Funds' net asset value. In the event that an Investor withdraws some or all of its capital account following a write-down and the investment proceeds subsequently received by the Funds in respect of such investment exceed the amount of such write-down, no adjustment will be made to the withdrawal proceeds previously determined to be payable to such Investor.

*Limited Liquidity.* An investment in the Funds has limited liquidity because investors will generally have only limited rights to redeem or transfer their shares or interests in the Funds, and the Funds have the right to





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suspend redemptions or withdrawals, as described in the PPMs or organizational agreements. Investors must be prepared to bear the financial risks of an investment in the Funds for an indefinite period of time.

*In-Kind Distributions.* Under certain circumstances a redeeming/withdrawing investor may receive securities in lieu of, or in combination with, cash. Securities distributed in kind may not be readily marketable. The risk of loss and delay in liquidating these securities, along with related transaction costs, will be borne by the investor, with the result that such investor may ultimately receive less cash than it would have received on the date of withdrawal if it had been paid in cash.

*Increases in Assets under Management.* The Investment Manager may continue to seek new investment capital and pursue new investment strategies, although, from time to time, the Investment Manager may close the Funds to new investments based on market conditions and perceived opportunities. The greater the amount of assets under management by the Investment Manager, the more difficult it may be for the Investment Manager to invest profitably for the Funds because of the difficulty of trading larger positions without adversely affecting prices and managing risk associated with larger positions. In addition, there can be no assurance that appropriate investment opportunities will be available to accommodate future increases in assets under management, which may require the Investment Manager to modify its investment decisions for the Funds because it cannot deploy all the assets in the manner it desires.

*Possible Indemnification Obligations.* Pursuant to the Funds' investment management agreements and organizational documents, the Funds are obligated to indemnify the Directors, the Investment Managers, and the General Partners and their affiliates and certain of their current or former principals, officers, directors, members, managers, employees and agents under certain circumstances. The Funds also may be obligated to indemnify certain other persons as well under agreements entered into with such persons. In the event that the Funds or a party which they have agreed to indemnify were named as a defendant in an action, arbitration, claim, demand, dispute, investigation, lawsuit or other proceeding, the Funds would bear the additional costs of defending and indemnifying against such action and would be at further risk if the Funds or any indemnified party failed to prevail in the litigation. Accordingly, an Investor may be entitled to a more limited right of action than it would otherwise have received absent the limitations in these agreements. In the opinion of the SEC, indemnification for liabilities arising out of violations of the Securities Act is against public policy and therefore may be unenforceable. Nothing contained in these agreements will be deemed to be a waiver of any rights an investor may have under U.S. federal or state securities or other laws.

*Litigation.* Litigation can and does occur in the ordinary course of the management of an investment portfolio of securities. The Funds may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where the Funds exercise control or significant influence over a company's direction, including as a result of board participation. Such litigation can arise as a result of issuer defaults, issuer bankruptcies and/or other reasons. In certain cases, such issuers may bring claims and/or counterclaims against the Funds, the Directors, the Investment Manager and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. The expense of defending against claims made against the Funds by third parties and paying any amounts pursuant to settlements or judgments would, to the extent that (i) the Funds have not been able to protect themselves through indemnification or other rights against the portfolio companies, (ii) are not entitled to such protections or (iii) the portfolio company is not solvent, be borne by the Funds pursuant to indemnification obligations and reduce net assets.



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*Side Letters and Other Due Diligence Requests.* The Funds may enter into letter agreements with certain strategic investors granting reduced fees, different liquidity, access to portfolio information and other terms which may not be afforded to the other investors in the Funds. Neither the Funds nor the Investment Manager are required to notify other investors of any such side letters or any of the rights or terms or provisions thereof, nor will the Funds or the Investment Manager be required to offer such additional or different rights or terms to other investors. Investors will generally have no recourse against the Funds in the event that certain investors receive additional or different rights or terms as a result of such side letters.

*Cybersecurity Risk.* As part of its business, the Investment Manager processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the Funds' investors. Similarly, service providers of the Investment Manager or the Funds, especially the Administrator, may process, store and transmit such information. The Investment Manager has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Investment Manager may be susceptible to compromise, leading to a breach of the Investment Manager's network. The Investment Manager's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Investment Manager to investors may also be susceptible to compromise. Breach of the Investment Manager's information systems may cause information relating to the transactions of the Funds and personally identifiable information of investors to be lost or improperly accessed, used or disclosed.

The service providers of the Investment Manager and the Funds are subject to the same electronic information security threats as the Investment Manager. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Funds and personally identifiable information of the Shareholders may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Investment Manager's or the Funds' proprietary information may cause the Investment Manager or the Funds to suffer, among other things, financial loss, the disruption of their business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds and investors' investments therein.

*Classes or Series of Shares/Exempted Limited Partnerships are not a Separate Legal Entity.* With regard to an investment made in the Offshore Fund or the Inflation Offshore Fund, a Fund Capital Account will be created in the Master Fund or Inflation Master Fund, respectively, for each Series of Shares issued by the corresponding offshore fund. The profits and losses attributable to a Series of Shares (or to a Fund Capital Account) will be allocated only to such Series (or to such Fund Capital Account). However, a creditor of a particular offshore fund (or its corresponding master fund) will generally not be bound to satisfy its claims from a particular Series of Shares (or a particular Fund Capital Account). Rather, such creditor generally may seek to satisfy its claims from the assets of the offshore fund (or the corresponding master fund) as a whole. Notwithstanding registration under the Exempted Limited Partnership Law (as amended), exempted limited partnerships such as the Master Fund and the Inflation Master Fund are not a separate legal persons distinct from their respective partners under Cayman Islands law. Under Cayman Islands law, any property of the exempted limited partnership will be held or deemed to be held by the general partner, and if more than one, then by the general





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partners jointly upon trust, as an asset of the partnership in accordance with the terms of the partnership agreement. Similarly, the general partner for and on behalf of the partnership incurs the debts or obligations of the exempted limited partnership.

***The foregoing list of risk factors does not purport to be a complete statement of the risks involved in an investment in the Funds. Prospective investors in the Mason Funds should carefully review the associated PPM and other offering documents for such Funds and should consult with their own advisors before deciding to invest in the Funds.***

**CONFLICTS OF INTEREST**

The structure and operations of the Funds are subject to actual and potential conflicts of interest, including those set forth below.

*Co-Investments.* The Funds may co-invest in the same opportunity with other Mason Clients, including the SPV, and Mason may offer co-investment opportunities to other Clients and other co-investors (including Event Fund or Inflation Fund investors and/or third parties). The Investment Manager and its affiliates may offer one or more investors in Mason Funds and/or other third-party investors the opportunity to co-invest with the Event Funds or the Inflation Funds in particular investments (or with a newly created Mason Fund established solely for a specific co-investment opportunity). The Investment Manager may, for example, offer such co-investment opportunities when the size of the opportunity exceeds the amount of capital that the Investment Manager believes should be invested by the Event Funds or the Inflation Funds.

The Investment Manager may offer co-investment opportunities to one or more investors in the Event Funds, the Inflation Funds and/or other third parties based on factors such as, but not limited to, the nature of the opportunity, speed of execution required, tax considerations, such persons' familiarity with, capability and history of making similar investments, such person's prior expressions of interest in making similar investments, the ability of such persons to generate future investment opportunities or provide other benefits to Mason-managed vehicles and/or the Investment Manager and/or to provide analytical and market advice or other expertise that may be valuable to the Mason Funds, and other factors deemed by the Investment Manager to be relevant. In addition, employees of the Investment Manager may co-invest with the Mason Funds whether or not the particular co-investment opportunity is offered to Mason Fund investors and/or other third parties.

To the extent that the Investment Manager advises a committed co-investment vehicle, the Investment Manager is not required to offer co-investment opportunities to any Mason Fund investor or third party, and no investor will be entitled (or obligated) to participate in such an opportunity by reason of being a Mason Fund investor. The Investment Manager's decision to offer (or not offer) co-investment opportunities to any Mason Fund investor will be made in the Investment Manager's sole discretion. If the Investment Manager determines to offer any co-investment opportunity to a Mason Fund investor, the details of such opportunity will be provided at the time that the offer is communicated to such investor. The Investment Manager and its affiliates may receive fees and/or allocations from co-investors that will differ as among co-investors, and which will also differ from the fees and/or allocations borne by the Event Funds or the Inflation Funds. Additionally, co-investors are likely not to bear certain expenses (*e.g.*, broken deal expenses) that are borne by the Mason Funds. Co-investors may have rights in addition to, and be subject to terms that are different than, the rights and terms applicable to the Mason Funds. For example, co-investors may receive minority protections, board seats or other control rights, and may have different or advantageous rights with respect to their ability to exit the co-investment. Consistent with the Investment Manager's fiduciary duties, co-investments cannot operate to the detriment of the Event Funds, the Inflation Funds or any other Mason Fund.



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However, there are certain instances where certain Mason Funds may invest in different parts of an issuer's capital structure than other Mason Funds or co-investors. In such instances, it is possible that certain Mason Funds may benefit while others suffer a detriment based on the same market events. The Investment Manager will seek to fairly allocate expenses among the Mason Funds and any co-investors. Generally, the Mason Funds and any co-investors that own an investment will share in expenses related to such investment, including expenses originally charged solely to the Mason Funds. However, it is not always possible or reasonable to allocate or re-allocate expenses to a co-investor, depending upon the circumstances surrounding the applicable investment (including the timing of the investment) and the financial and other terms governing the relationship of the co-investor to any Mason Fund(s) with respect to the investment. As a result, there may be occasions where co-investors do not bear a proportionate share of such expenses as compared to the Mason Funds. In addition, where a potential investment is contemplated but ultimately not consummated, potential co-investors generally will not share in any expenses related to such potential investment, including expenses borne by any of the Mason Funds with respect to such potential investment (*e.g.*, broken deal expenses).

*Affiliated Investments.* The Investment Manager may invest a portion of a Client's assets in other investment funds, including investment funds with respect to which it or one or more of its affiliates, including the General Partners, may serve as investment manager. Accordingly, the Investment Manager may have a conflict of interest between its pecuniary interest in causing a Client to invest in other Mason managed vehicles, thereby potentially increasing the compensation payable to it or its affiliates and its duty to act in the best interest of the Client. In order to mitigate this conflict of interest, the Investment Manager will cause its affiliates to waive the management fees and incentive allocations otherwise payable to them with respect to a Client's investment in other Mason managed-vehicles.

The principals, officers and employees of the General Partners and the Investment Manager and their affiliates may also invest in Mason Funds of its or their choosing and are not required to invest in all such Mason Funds. It is expected that, if such investments are made, the size of these investments will change over time. Such persons are not required to keep any minimum investment in any of the Mason Funds and such investments are not subject to the management fees or incentive allocations/fees that would be applicable to investments made by other investors.

*Other Business Activities.* The Investment Manager and its principals and affiliates may not devote their time exclusively to the management of the Mason Funds and the business of the Funds. In addition, the Investment Manager, the General Partners and their principals and affiliates may perform similar or different services for other investment funds, vehicles and accounts they establish during the same period that they provide services to the Funds. The Investment Manager, the General Partners and their principals and affiliates therefore will have conflicts of interest in dividing their management time, services and functions among the various entities for which they provide services.

Mr. Martino serves as a director of a portfolio company in which the Master Fund invests (the "Portfolio Company"). The Investment Manager is party to an agreement with the Portfolio Company, pursuant to which the Investment Manager provides ongoing strategic and capital markets advisory services to the Portfolio Company, in exchange for an annual fee which is paid to the Master Fund. As a part of this agreement, Mike Martino has waived any fees to which he may have otherwise been entitled for serving as a member of the board of the Portfolio Company. From time to time, employees of the Investment Manager may serve as directors or advisory board members of other portfolio companies or other entities, including a special purpose acquisition company that is sponsored by an affiliate of the Investment Manager. In connection with such services, such persons may be entitled to receive directors' fees or other similar compensation attributable to



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such employees' services. Such persons will either waive these fees or the Investment Manager will offset the management fee by an equal amount.

*Master-Feeder Structure.* The use of a "master-feeder" structure presents certain conflicts of interest. For example, different tax considerations applicable to the feeder funds that invest in the Master Fund (or the Inflation Master Fund) may result in the Master Fund (or the Inflation Master Fund) structuring or disposing of an investment in a manner or at a time that is more advantageous (or disadvantageous) for tax purposes to one feeder fund or its investors. In selecting and structuring investments appropriate for the Master Fund and the Inflation Master Fund, the Investment Manager will consider the investment and tax objectives of the respective feeder funds of the Master Fund and the Inflation Master Fund and their direct and indirect beneficial owners as a whole, not the investment, tax or other objectives of any investor or other beneficial owner individually.

*Side Letter Agreements.* The Funds, and in certain cases the Investment Manager, will have the discretion to waive or modify the application of, or grant special or more favorable rights with respect to, any provision of the pertinent PPM to the extent permitted by applicable law. To effect such waivers or modifications or the grant of any special or more favorable rights, the Funds may create additional classes and/or series of shares or interests that provide for, among other things, (i) greater transparency into the Master Fund's or the Inflation Master Fund's portfolio, (ii) different or more favorable withdrawal rights, such as more frequent withdrawals or shorter withdrawal notice periods, (iii) greater information than may be provided to other investors, (iv) different fee or incentive compensation terms, (v) more favorable transfer rights and (vi) key-person notifications. Certain such waivers, modifications or grants of special or more favorable rights may also be effected by the Onshore or Offshore Funds, and, in certain cases, the Investment Manager, through side letter agreements.

*Selection of Brokers and Dealers.* Certain of the brokers and dealers utilized by the Investment Manager to effect portfolio transactions on behalf of Clients provide the Investment Manager with certain services and products that would otherwise be available to the Investment Manager and the Clients only for a cash payment. To the extent that the Investment Manager uses "soft dollar" commissions or spreads generated by such portfolio transactions to obtain items that would otherwise be an expense of the Investment Manager, such use of "soft dollar" commissions could be viewed as additional compensation to the Investment Manager. This creates a potential conflict of interest between the Investment Manager's fiduciary duty to manage the Clients' assets in the best interests of the investors and its desire for the Investment Manager, its affiliate, to receive or direct these "soft-dollar" benefits. As a result of receiving such services and products, the Investment Manager has an incentive to use, and to continue to use, the brokers and dealers providing such services and products to effect portfolio transactions for the Clients so long as such brokers and dealers continue to provide such soft dollar benefits to the Clients.

The selection of a broker or dealer to provide clearing, settlement and prime brokerage services, execute portfolio transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by the provision by the broker or dealer of, among other things, capital introduction services and consulting services with respect to technology, operations, equipment or office space. Neither the Investment Manager nor the Funds separately compensates any broker or dealer for any of these other services.

*Other Trading Activities.* The Investment Manager and its principals and affiliates may trade for accounts other than the Funds' accounts (which may include their own accounts and the accounts of family members) and they will remain free to trade for such other accounts and to utilize trading strategies and formulae in trading for



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such accounts which are the same or different from the ones that the Investment Manager will utilize in making trading decisions on behalf of Mason Clients, even if such accounts have same or similar investment objectives. Where investment opportunities are appropriate for one or more accounts, the Investment Manager will endeavor to allocate such investment opportunities in a manner deemed fair and equitable by the Investment Manager. Where trades are aggregated for multiple accounts, because of price volatility, occasional variations in liquidity, and differences in order execution, it might not be possible for the Investment Manager to obtain identical trade execution for all its Clients. When block orders are filled at different prices, the Investment Manager will endeavor to allocate the executed trades on a fair and equitable basis. In addition, because the Investment Manager may receive differing compensation from its Clients it may have a financial incentive to favor the accounts where its compensation is greater.

A Client may make an investment in a position which is already held by one or more Mason Clients or a position that is subordinated or senior to or otherwise adverse to a position held by one or more other Mason Client Funds. For example, one Mason Client may own debt of a portfolio company while another Mason Client owns equity in the same portfolio company. It is possible that the activities or strategies used for one Mason Client could conflict with the activities and strategies employed in managing the assets of another Mason Client and affect the prices and availability of the securities and instruments in which the Client invests.

*Cross Transactions.* From time to time, the Investment Manager may cause a security or a position to be traded between one or more Mason Clients or affiliates where the Investment Manager believes such trade to be in the interest of both entities. The Investment Manager's duty to be unbiased and fair to its Clients on both sides of a cross transaction may pose an inherent conflict of interest. In an attempt to mitigate such conflict of interest and to ensure that it fulfills its duty to each Client that is party to a cross transaction, the Investment Manager seeks to ensure the appropriateness of the transaction for each Client and that it is fair to both sides of the transaction. In addition, to the extent brokers and dealers are utilized to effect the cross transactions, the Investment Manager will utilize unaffiliated brokers and dealers at normal commission rates, and the Investment Manager will receive no additional compensation as a result of the cross transactions.

*Trade Errors.* On occasion, errors may occur with respect to trades executed on behalf of the Mason Funds. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, and when the wrong quantity is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded). Trade errors frequently result in losses but may, occasionally, result in gains. The Investment Manager will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent that an error is caused by a third party, such as a broker, the Investment Manager will strive to recover any losses associated with such error from such third party. The Investment Manager will determine whether any trade error has resulted from gross negligence on its part, and, unless it finds that to be the case, any losses will be borne by (and any gains will benefit) the Mason Funds for which the trade was executed. The Investment Manager has established internal policies regarding the manner in which such determinations are to be made, but investors should be aware that, in making such determinations, the Investment Manager will have a conflict of interest.

*Management Fees and Incentive Allocations.* The terms of the Management Fees payable to the Investment Manager and Incentive Allocations allocable to the General Partners are not the result of arms' length negotiation. The Incentive Allocation arrangement may create an incentive for the Investment Manager to make investments that are more speculative or subject to a greater risk of loss than would be the case if no such Incentive Allocation arrangement existed. In addition, the Incentive Allocation, if made, could result in



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allocations payable to the General Partners which is greater than fees normally paid to others for similar services.

*Non-Independent Director.* Michael Martino, one of the Directors of the Offshore Fund, is a principal of the Investment Manager. Accordingly, he has a conflict of interest between his duty to manage the Offshore Fund in the best interests of the Offshore Fund and his pecuniary interest in the selection of the Investment Manager as the Event Funds' investment manager, thereby increasing the amount of compensation payable to his affiliate. In addition, the Directors have discretionary authority over all dividends made by the Offshore Fund. In view of the Funds' objective of seeking capital appreciation, the Offshore Directors generally do not intend to declare any dividends to the investors. To the extent any items of income or gain attributable to interests in the Offshore Fund are retained by the Fund rather than distributed, the Offshore Fund's Net Asset Value will be greater, thereby increasing the amount of the Management Fees payable to the Investment Manager.

*Valuation.* SS&C GlobeOp Inc. provides independent third-party verification of the valuation of the Funds' assets and liabilities wherever possible. The General Partners and the Investment Manager have a conflict of interest with respect to the valuation of the securities of the Funds because the Incentive Allocation and the Management Fee are tied to the value of the assets of the Funds. In order to mitigate this conflict of interest, the Investment Manager has established policies and procedures intended to ensure that the assets and liabilities of the Funds are valued in an appropriate manner, including the aforementioned third-party asset verification. An additional conflict of interest is also raised because each of the Investment Manager and the General Partners have an incentive to attract additional investors in order to increase the assets under management of the Funds, thereby increasing the Management Fee payable to the Investment Manager.

*Voting Rights.* As part of the Funds' investment strategy, the Funds obtain voting rights with respect to one or more of their investments. The Investment Manager may determine in its sole and absolute discretion whether, or in what manner, to exercise such voting rights. In addition, the Investment Manager may combine the Funds' voting rights with those of other Mason Clients that have similar voting rights with respect to such investments in order to obtain a larger percentage of the total voting rights. By combining the Investment Manager's voting rights with those of other Mason Clients, the General Partners would lose their ability to exercise a particular Funds' voting rights independently in a manner that is exclusively in the best interests of that Fund.

### **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Investment Manager's advisory business.

### **Item 10 – Other Financial Industry Activities and Affiliations**

As described in Item 4, Mason serves as investment manager of the Mason Funds. Mason Management LLC, which is an affiliate of Mason, is the general partner of the Onshore Fund and the Master Fund. Mason Inflation Management LLC, which is an affiliate of Mason, is the general partner of the Inflation Onshore Fund and the Inflation Master Fund. Mason may sponsor or establish other investment funds and separately managed accounts during the same period in which it provides services to the Event Funds, the Inflation Funds and SPV. The Investment Manager and its principals and affiliates may have a conflict of interest in allocating management time, services and function among the Mason Funds and such other funds and accounts for which they may provide services. Mason addresses this potential conflict of interest through its compliance policies and procedures, and Code of Ethics, which emphasize compliance with Mason's fiduciary duties owed to all



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Clients and sets forth policies and procedures regarding the periodic review of all portfolios managed by Mason. See Items 11 and 13.

The Investment Manager, its affiliates, and their respective personnel, may invest in the Mason Funds, and in securities or other assets in which the Mason Funds or other managed accounts invest, subject to applicable law and Mason's Code of Ethics. The Investment Manager and its principals and affiliates may have conflicts of interest because they may have a financial incentive to favor the Mason Fund(s) in which it is invested and/or to engage in "front-running" by engaging in personal securities trading based on knowledge of pending securities transactions on behalf of the Funds. Mason addresses any potential conflicts of interest through its Code of Ethics and compliance policies and procedures, which require the allocation of securities among Mason Clients on an equitable basis and sets forth policies and procedures for personal securities transactions. See Item 11.

Mason Capital Group, LLC ("MCG"), an affiliate of the Investment Manager, recently de-registered as a broker-dealer with the Financial Industry Regulatory Authority, Inc. and the SEC. MCG was a direct participation program broker. MCG provided marketing and some administrative support for the Investment Manager.

The Investment Adviser is registered as a commodity pool operator with the CFTC and a member of the National Futures Association. Derek Satzinger recently applied to become an Associated Person with the CFTC.

The Investment Manager, its affiliates, and their respective personnel have no other financial industry activities or affiliations to report.

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

Mason has adopted a Code of Ethics for all of its supervised persons describing Mason's high standard of business conduct, and the fiduciary duty owed to Mason's Clients. The Code of Ethics and compliance policies and procedures, which are generally included in Mason's Compliance Manual, include provisions relating to the confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All personnel must acknowledge the terms of the Code of Ethics and Compliance Manual annually, or as amended.

The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of the Investment Manager will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Employees generally must obtain prior Compliance approval prior to trading in any instrument other than mutual funds, ETFs, futures and options on ETF's and indices, U.S. Treasuries, municipal bonds, money market funds, and currencies, including cryptocurrencies (though employees must obtain prior Compliance approval before participating in an initial coin offering). Prohibitions relating to personal trading also generally apply to an employee's spouse or minor child, or an immediate family member of an employee living in the same household as such employee. Employee trading is continually monitored under the Code of Ethics, and the personal trading policies and procedures in the Code of Ethics are intended to reasonably prevent conflicts of interest between the Investment Manager and its Clients.

It is also the Investment Manager's policy when purchasing a security for one of its Clients from the account of another of its Clients, for purposes of rebalancing its Clients' investments or any other purpose, to determine





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independently for each Client that such purchase or sale would be appropriate based upon the Client's investment/risk parameters, assets under management, liquidity and portfolio exposure. Furthermore, such a transaction between Clients will only be done in a manner that is equitable to the Clients involved and only in the absence of any opportunity for the Investment Manager to earn any additional compensation (other than its customary advisory fees) as a result of the transaction.

Clients or prospective Clients may request a copy of Mason's Code of Ethics by contacting Mason's Chief Compliance Officer at 212-771-1200.

*Co-Investments.* As discussed more fully in the Conflicts of Interest section of Item 8 above, from time to time, Mason and its affiliates may offer one or more Fund investor and/or other third-party investors (including Mason, any affiliated entities, employees, and investment vehicles in which employees may hold an interest) the opportunity to co-invest with Clients in particular investments (or with a newly created Client established solely for a specific co-investment opportunity). Mason's policies and procedures are designed to insure that co-investments, including co-investments by Mason or any of its affiliates or employees will not operate to the detriment of Mason Clients and will be in done in accordance with Mason's fiduciary duties.

## **Item 12 – Brokerage Practices**

*Selection of Brokers and Dealers.* The Investment Manager is authorized to determine the brokers or dealers to be used for each securities transaction for Mason Clients. The Investment Manager has an obligation to seek to obtain "best execution" for its Clients with respect to their trading activity. This means that in selecting brokers or dealers to execute transactions, the investment Manager must always attempt to ensure that the total cost or proceeds of any transaction for a Client is the most favorable under the circumstances. The Investment Manager, in seeking to obtain best execution of portfolio transactions for Mason Funds, takes into account such factors as price, the broker's facilities and reliability, the ability of the broker to effect securities transactions, the broker's effectiveness in clearing and settling trades, the broker's ability to prospect for and provide liquidity, the broker's ability to accommodate third party research arrangements and other relevant factors.

Portfolio transactions for Mason Clients are directed to brokers on the basis of best execution and in consideration of the provision of, or payment of the costs of, certain services that are of benefit to the Investment Manager, its affiliates, and the Mason Clients, to the extent permissible by applicable law and regulations. These services may take the form of, among other things, research services, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, consultations, performance measuring data, online pricing, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, offering to the Investment Manager online access to computerized data regarding Clients' accounts, clearance and settlement capabilities, reputation, financial strength and stability, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services, and payment of all or a portion of a Client's Funds' costs and expenses of operation, such as newswire charges, quotation services and periodical subscription fees, among other products. Accordingly, Mason Clients may be deemed to be paying for certain of these services with "soft dollars".

The Investment Manager also reserves the right to direct a Client's brokerage transactions to brokers who refer prospective investors to Mason Clients. Brokerage and research services paid by one Mason Client may be used to benefit all Mason Clients, and the Investment Manager does not allocate the specific costs or benefits of research among Mason Clients.



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The Investment Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Accordingly, if the Investment Manager determines in good faith that the commissions and/or spreads charged by a broker are reasonable in relation to the value of the products or services provided by such broker, the Clients may pay commissions to such broker in an amount greater than the amount another broker might charge.

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, provides a safe harbor that permits an investment manager with investment discretion to obtain research and other products/services provided by a broker-dealer that provide lawful and appropriate assistance to the manager in making investment decisions on behalf of its Clients if the manager determines, in good faith, that the commissions and/or spreads charged by such broker are reasonable in light of the services provided.

The Investment Manager enters into arrangements with brokers providing for the use of soft dollars to pay for the cost of certain research products or services which fall within the “safe harbor” provision of Section 28(e). Mason’s brokerage activities are designed to stay within the safe harbor provision of Section 28(e). In the event that an item falls outside the Section 28(e) safe harbor, or due to changes in the law, soft dollars become unavailable, the Investment Manager reserves the right to charge research costs to the relevant Client(s).

Although the Investment Manager believes that Mason Clients benefit from many of the services obtained with soft dollars generated by Client trades, the Clients do not benefit exclusively. The Investment Manager and Mason Clients may also derive direct or indirect benefits from some or all of these services, particularly to the extent that the Investment Manager uses soft dollars to pay for expenses the Investment Manager would otherwise be required to pay itself. Accordingly, the Investment Manager may have an incentive to select a broker based on its interest in receiving such services, rather than based on a Client’s interest in receiving most favorable execution.

The Investment Manager has adopted policies and procedures to monitor all soft dollar activities and maintain effective controls. The Investment Manager’s Chief Compliance Officer reviews soft dollar arrangements with brokers prior to implementation, obtains statements from all soft dollar brokers listing these arrangements, and periodically compares such arrangements against the Investment Manager’s internal records. Mason periodically reviews these soft dollar broker relationships to ensure brokers are providing best execution as a part of its Best Execution Committee review meetings.

*Clearing and Settlement.* Clearing and settling functions normally include, among other matters, arranging for (i) the receipt and delivery of securities purchased, sold, borrowed and loaned, (ii) the making and receiving of payments therefor, (iii) custody of securities fully paid for or not fully paid for and, therefore, compliance with margin and maintenance requirements, (iv) custody of all cash, dividends and exchanges, distributions and rights accruing to the Funds’ account, and (v) tendering securities in connection with cash tender offers, exchange offers, mergers or other corporate reorganizations.

*Block Orders.* The Investment Manager may aggregate orders for securities to be purchased or sold on behalf of multiple Clients in order to seek more favorable prices, lower brokerage commissions or more efficient execution. If an order is only partially filled as of the end of the trading day, then the quantity of securities allocated to Clients are generally allocated on a *pro rata* basis, based on the size of the original allocation to each such account, subject to adjustments for rounding, odd lots and certain other allocation considerations.





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**Item 13 – Review of Accounts**

The Investment Manager reviews the portfolio assets in the Mason Client account on a regular basis. In addition, the Investment Manager reviews the values of the securities held by the Funds monthly.

Client accounts are reviewed on a monthly basis.

**Item 14 – Client Referrals and Other Compensation**

The Investment Manager does not currently use Client referrals or receive any economic benefit from a third party in connection with providing investment advice or other advisory services to its Clients, and Mason has nothing to report for this Item.

**Item 15 – Custody**

For purposes of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), Mason will be deemed to have custody over the Funds’ assets. Actual custody of Client assets, however, is and will be maintained in accounts with a qualified custodian pursuant to the Custody Rule. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors as long as: (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds’ audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days after the end of each Fund’s fiscal year.

In the rare situation where Mason comes in physical possession of Client assets, Mason’s Chief Financial Officer (CFO) will be responsible for ensuring that such assets are properly recorded and appropriately safeguarded. Specifically, in those rare circumstances, the CFO will ensure that each security maintained by Mason is “logged” in a memorandum to file that accurately describes all relevant details concerning the security and how Mason came into possession of it. Working with the CFO, the Chief Compliance Officer (CCO) will be responsible for ensuring that all assets maintained by Mason are securely stored in a safe that resides in Mason’s New York office.

To comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, all Funds must be subject to an annual audit and will distribute their audited financial statements to each of their investors in the manner and timing required by such Rule.

**Item 16 – Investment Discretion**

The Investment Manager has discretionary authority from the Mason Funds to select the identity and amount of securities to be bought or sold. As stated above, the Investment Manager will use its experience and knowledge to select, opportunistically, those investments which it believes will generate attractive risk-adjusted returns. The Investment Manager may, in its sole discretion, use other investment techniques and strategies (other than event-driven investment strategies) which may, in the Investment Manager’s opinion, generate additional capital appreciation with an acceptable level of risk.

The Funds will be managed in accordance with their own investment and trading objectives, as described in their offering documents and governing agreements. Mason does not permit investors in the Funds to impose



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limitations on the investment activities described in such documents. Under certain circumstances, Mason may contract with a Client to adhere to limited risk and/or operating guidelines imposed by that Client. Mason would negotiate such arrangements on a case-by-case basis.

**Item 17 – Voting Client Securities**

The Investment Manager understands and appreciates the importance of proxy voting, and will vote proxies in the best interests of Mason Clients and in accordance with the procedures outlined in Mason’s Compliance Manual. In the absence of a material conflict of interest (as determined by the Chief Compliance Officer) between the Investment Manager and its Client, the portfolio managers and analysts make recommendations as to how proxies will be voted, and the vote is executed by the Chief Compliance Officer, in accordance with the procedures outlined in Mason’s Compliance Manual. In the event of a material conflict of interest, the Chief Compliance Officer will make a determination as to how to vote the proxy based on the policies and procedures outlined in Mason’s Compliance Manual.

Records of proxy materials and votes are maintained in Mason’s offices. A complete copy of Mason’s Proxy Voting Policy and Procedures, along with a record of how proxies were voted, is available upon request to the Chief Compliance Officer.

**Item 18 – Financial Information**

The Investment Manager has nothing to report for this item.