



Part 2A of Form ADV: Firm Brochure

Hudson Bay Capital Management LP

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March 2018

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This brochure provides information about the qualifications and business practices of Hudson Bay Capital Management LP and its affiliates. If you have any questions about the contents of this brochure, please contact us at (212) 571-1244. 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.

Registration with the SEC does not imply a certain level of skill or training.

Additional information about Hudson Bay Capital Management LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This brochure has been updated to include information relating to Hudson Bay Cap Structure Arbitrage Enhanced Fund LP, which commenced operations on July 5, 2017, Hudson Bay Corporate Value Fund LP, which commenced operations on March 1, 2018, Hudson Bay International Levered Fund Ltd. (with a contemplated commencement date of April 1, 2018), as well as to provide updated disclosures concerning the operations of Hudson Bay Fund LP and Hudson Bay International Fund Ltd.

Item 3. Table of Contents

Table of Contents	Page
Item 2. Material Changes.....	2
Item 3. Table of Contents	3
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation.....	10
Item 6. Performance-Based Fees and Side-by-Side Management.....	21
Item 7. Types of Clients	21
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	22
Item 9. Disciplinary Information	83
Item 10. Other Financial Industry Activities and Affiliations.....	83
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	84
Item 12. Brokerage Practices.....	85
Item 13. Review of Accounts	90
Item 14. Client Referrals and Other Compensation.....	90
Item 15. Custody.....	90
Item 16. Investment Discretion	90
Item 17. Voting Client Securities	91
Item 18. Financial Information	92

Item 4. Advisory Business

Hudson Bay Capital Management LP (“Hudson Bay Capital”¹), a Delaware limited partnership, is an alternative asset management firm founded in 2005 by Sander Gerber. Mr. Gerber is Hudson Bay Capital’s principal owner and the managing member of Hudson Bay Capital’s general partner. Hudson Bay Capital 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, although Hudson Bay Capital does not currently provide management services to any managed account.

As of January 31, 2018 Hudson Bay Capital managed client assets with a net asset value of approximately \$2,548,400,000, all on a discretionary basis.

Hudson Bay Capital currently manages four Fund products: (i) a multi-strategy Fund, comprised of Hudson Bay Fund LP (operating primarily for the benefit of taxable U.S. investors and certain tax-exempt U.S. investors), Hudson Bay International Fund Ltd. (operating primarily for the benefit of non-U.S. investors and certain tax-exempt U.S. investors) and Hudson Bay International Levered Fund Ltd. (operating primarily for the benefit of non-U.S. investors and certain tax-exempt U.S. investors who wish to invest on a levered basis) (along with their affiliates, the “Multi-Strat Funds”); (ii) Hudson Bay Cap Structure Arbitrage Enhanced Fund LP (operating primarily for the benefit of taxable U.S. investors and certain tax-exempt U.S. investors) (along with its affiliate, Hudson Bay Capital Structure Opportunities Master Fund Ltd., the “Capital Structure Fund”); (iii) Hudson Bay Corporate Value Fund LP (the “Corporate Value Fund”), a vehicle operating for the benefit of a single institutional investor (the “Institutional Investor”) and certain affiliates of, and persons associated with, Hudson Bay Capital; and (iv) Hudson Bay MLP Fund LP Fund (the “MLP Fund”), a co-investment vehicle designed to invest and divest in one specific investment alongside an affiliate of Hudson Bay Fund LP. Hudson Bay Fund LP, Hudson Bay International Fund Ltd., Hudson Bay International Levered Fund Ltd., the Capital Structure Fund, the Corporate Value Fund and the MLP Fund (and where applicable, their affiliates) are each referred to herein as a “Fund” and collectively, as the “Funds” or the “Clients.” The Multi-Strat Funds are currently open to new investors; the MLP and Corporate Value Funds are no longer accepting new subscriptions and the Capital Structure Fund is not currently accepting new investors, although the Capital Structure Fund may begin accepting new investors at any time in the future without notice.

The Multi-Strat Funds

The Multi-Strat Funds are organized in a master-feeder structure, whereby: (i) Hudson Bay Fund LP (the “Onshore Fund”) invests all of its investable assets in Hudson Bay Master Fund Ltd. (the “Master Fund”), a Cayman Islands exempted company, and HB Fund LLC (“HB Fund”), a Delaware limited liability company wholly owned by the

¹ References herein to Hudson Bay Capital, include Hudson Bay Capital’s affiliates, where appropriate.

Onshore Fund; and (ii) Hudson Bay International Fund Ltd. (the “Offshore Fund”), a Cayman Islands exempted company, and Hudson Bay International Levered Fund Ltd. (the “Levered Fund”), also a Cayman Islands exempted company, each invests all of its investable assets in the Master Fund (through Hudson Bay Intermediate Fund Ltd. (the “Intermediate Fund”), a Cayman Islands exempted company). The Levered Fund invests its assets on a levered basis, by employing leverage at the Levered Fund level. Hudson Bay Capital has been managing its multi-strategy product since 2006.

Assets of the Onshore Fund, the Offshore Fund and the Levered Fund (collectively, the “Feeder Funds”) are pooled in the Master Fund in order to concentrate credit status and obtain negotiating leverage with counterparties, while also achieving administrative economies of scale, eliminating the need for trade allocations between the Feeder Funds and simplifying ongoing operations. Investments that would be tax disadvantageous to the Offshore Fund or the Levered Fund (for example, engaging in investments that would cause the Fund to be effectively connected to a U.S. trade or business), as well as investments that Hudson Bay Capital believes are not practical or otherwise in the best interest of the Multi-Strat Funds to make through the Master Fund (“Onshore Investments”), may be made by the HB Fund, and, in such cases, they may not be made by the Master Fund. The HB Fund may invest excess cash not invested directly in its portfolio in the Master Fund. Although the Master Fund currently implements its own investing and trading strategies directly, both the Master Fund and the HB Fund also invest through a variety of other legal entities (“Trading Vehicles”), including one or more other funds managed by Hudson Bay Capital. Hudson Bay Capital Associates LLC (the “General Partner”) is the general partner of the Onshore Fund.² References herein to the Multi-Strat Funds include the Feeder Funds, the HB Fund, the Master Fund and/or any other subsidiary trading vehicles, as the context requires.³

The investment objective of the Multi-Strat Funds is to target traditional and non-traditional sources of alpha by employing a diverse set of catalyst-driven absolute return strategies that are intended to be uncorrelated to each other and to the major indices. In deploying their trading and investing strategies, the Multi-Strat Funds expect to hold both long and short positions in a broad range of debt and equity securities, derivatives and investments on a global basis. Hudson Bay Capital currently categorizes its strategies into the following four groups in its reports to investors: (i) event-driven/merger arbitrage (including long/short equity); (ii) volatility trading; (iii) convertibles; and (iv) credit.

² The Master Fund serves as the managing member of two separate, two-member, limited liability companies, Strategic Bio Partners LLC (“SBP”) and HB Measure LLC (“HBM”). In its capacity as managing member, the Master Fund has delegated all investment discretion for these entities to Hudson Bay Capital. Accordingly, Hudson Bay Capital exercises all investment discretion over SBP and HBM. Neither SBP nor HBM is “offered” to investors and each serves primarily as a special purpose vehicle for one or more Master Fund investments.

³ Throughout this Brochure, references are made to one or more Multi-Strat Funds engaging in investing/trading activity. As set forth above, currently, only the Master Fund and HB Fund (and certain of their subsidiary trading vehicles) are permitted to make direct investments into portfolio companies, and nothing herein shall be read to suggest otherwise.

However, there are no material limitations on the instruments, strategies, markets or countries in which the Multi-Strategy Funds may invest. The strategies in which the Multi-Strat Funds invest are constantly evolving and new strategies may appear within the Multi-Strat Funds' portfolio with some regularity.

Side Letters

The Multi-Strat Funds and, in certain cases, Hudson Bay Capital, have the discretion to waive or modify the application of, or grant special or more favorable rights with respect to, the terms or provisions applicable to investment in the Multi-Strat Funds to the extent permitted by applicable law and have done so. Such terms may relate to certain withdrawal rights, fees, portfolio level information rights or different participation in profits and losses of certain securities ("Favorable Terms"), or other matters. To effect such waivers or modifications or the grant of any special or more Favorable Terms or any other terms, the Multi-Strat Funds or Hudson Bay Capital, as applicable, may create additional classes, sub-classes, tranches or series of interests and enter into side letter agreements without notice to, or consent of, other investors that provide for these differing rights. Although certain investors may invest with different material terms, the Multi-Strat Funds and Hudson Bay Capital will only offer such terms if they believe other investors will not be materially disadvantaged. Favorable Terms granted to certain investors (other than current and former members and employees of Hudson Bay Capital, their family members and/or related entities) will be offered to all existing investors with an equal or greater investment in the Multi-Strat Funds; provided that (i) such terms or conditions were not offered based on an investor's special regulatory, tax or other particular status; and (ii) an investor electing to accept such favorable terms or conditions also agrees to be bound by any conditions, restrictions, limitations or obligations imposed on an investor in connection with its investment in the Multi-Strat Funds. Other rights and investment terms that do not constitute Favorable Terms may not be offered to such other existing investors.

Individual Investor Investment Restrictions

Certain investors ("SRI Investors") that are subject to a "socially responsible" or similar investment mandate which precludes them from participating in profits or losses attributable to certain securities and other instruments ("Restricted Investments") of companies ("Restricted Companies") have entered into side letter agreements with the Offshore Fund and Hudson Bay Capital (and may enter into similar relationships in the future with the other Feeder Funds, including the Offshore Fund) whereby Hudson Bay Capital uses what it believes to be reasonable efforts to allocate profits and losses attributable to such Restricted Companies away from the SRI Investors' shares (the "SRI Shares") and to other investors ("non-SRI Investors") who are not SRI Investors (the "Restricted Investment Reallocation"). In cases where a single investment thesis or idea is manifested through a group of positions, including related hedges, one of which is an investment in a Restricted Company, as a general matter, Hudson Bay Capital will treat the entire group of investments as a Restricted Investment even if certain of the positions in the group are not securities or other instruments of Restricted Companies. In certain cases, where this general rule results in outcomes Hudson Bay Capital deems suboptimal,

alternate rules may be applied. Hudson Bay Capital retains complete discretion in determining the methodology used to determine the Restricted Investments Reallocation.

The SRI Shares are not managed as a segregated, or even separate portfolio; *i.e.*, the performance of the SRI Shares will be derived, *inter alia*, by removing the profits and losses associated with the Restricted Investments from the overall profits and losses associated with the Offshore Fund's portfolio pursuant to the Restricted Investment Reallocation. As a consequence of the Restricted Investment Reallocation, other shares of the Offshore Fund may be adversely (or positively) affected by Hudson Bay Capital's compliance with the specific investment criteria applicable to the SRI Shares to the extent such investment criteria cause the other shares to have different exposures and weightings than would otherwise be applicable to the Offshore Fund's portfolio in the absence of the SRI Shares. To the extent any of the other Feeder Funds enter into similar arrangements with certain of its investors, the impact of the Restricted Investments Reallocation vis a vis such Fund on its investors will be similar to the impact of the Restricted Investments Reallocation discussed above and below as it relates to the SRI and non-SRI Investors in the Offshore Fund.

PM Tranches

Certain of the Multi-Strat Funds may also issue tranches and/or classes of shares/interests corresponding to the investment strategy (or a sub-strategy to the extent there are multiple investment strategies managed by a particular portfolio manager) pursued by a particular portfolio manager (the "PM Tranches"). Generally, only the portfolio manager associated with a PM Tranche, members of such portfolio manager's team, a family member of such persons and/or trusts or other entities for their benefit and certain other persons associated with Hudson Bay Capital will be eligible to subscribe for a PM Tranche.

The Capital Structure Fund

Hudson Bay Cap Structure Arbitrage Enhanced Fund LP (the "Capital Structure Feeder Fund"), a Delaware limited partnership, invests substantially all of its assets through a "master-feeder" fund structure in Hudson Bay Capital Structure Opportunities Master Fund Ltd. (the "Capital Structure Master Fund"), a Cayman Islands exempted company (together, as previously defined, the "Capital Structure Fund").⁴ The portfolio of the Capital Structure Fund overlaps substantially with a comparable portfolio in the Multi-Strat Funds (the "Multi-Strat Convertible Portfolio"), managed by the same portfolio manager, albeit on a more highly-leveraged basis than the Multi-Strat Convertible Portfolio. While the Capital Structure Fund is not currently accepting new investors, it may begin accepting new investors in at any time the future without notice and Hudson

⁴ As the Capital Structure Feeder Fund may make investments or enter into transactions directly or indirectly through the Capital Structure Master Fund or other vehicles, references to the term "Capital Structure Fund" in this Brochure should be understood to mean the Capital Structure Feeder Fund, the Capital Structure Master Fund and/or any other vehicle through which the Capital Structure Feeder Fund makes investments or enters into transactions.

Bay Capital may form one or more additional feeder funds in the future to invest in the Capital Structure Master Fund. The General Partner is the general partner of the Capital Structure Fund.

The Capital Structure Fund's investment objective is to achieve attractive risk-adjusted returns by investing and trading in debt, equity, options, derivative contracts (including credit derivatives) and other securities and instruments, as well as those instruments that Hudson Bay Capital believes are appropriate to hedge certain exposures or positions in the portfolio. Hudson Bay Capital also will from time to time cause the Capital Structure Fund to make opportunistic investments in other types of securities and transactions.

The Capital Structure Fund pursues its investment objective and strategies primarily in the United States, but may also invest on a global basis. The Capital Structure Fund will implement a number of different strategies in its portfolio, including but not limited to convertible arbitrage, relative value, capital structure arbitrage and other credit-related strategies. Although the Capital Structure Fund's overall focus will be on convertible and other equity-linked and related investments as well as other debt, there are no material limitations on the markets, strategies, instruments or countries in which Hudson Bay Capital may trade on behalf of the Capital Structure Fund, and the Capital Structure Fund is not subject to any specific diversification requirements with respect to the issuers, product types or amount of leverage that may be incorporated in its portfolio, except as may be dictated by applicable laws.

The Capital Structure Fund uses leverage, which will be substantial, but there is no assurance that the desired level of leverage will be available on acceptable terms, or at all. Within the Capital Structure Fund's overall focus on investments in convertible and other equity-linked and related securities, the Capital Structure Fund's portfolio may from time to time be concentrated, possibly materially, in a particular market, strategy, instrument type or country.

On an ongoing basis, the Capital Structure Fund's portfolio evolves as new market sectors, instruments, strategies and techniques are incorporated by Hudson Bay Capital and others are discontinued or modified. The Capital Structure Fund's portfolio and its performance can be expected to differ materially over time.

Side Letters

The Capital Structure Fund and, in certain cases, Hudson Bay Capital, have the discretion, to the extent permitted by applicable law, to waive or modify the application of, or grant special or more favorable rights with respect to, the terms or provisions applicable to investment in the Capital Structure Fund, and have done so. Such terms may relate to withdrawal rights, fees, portfolio level information rights or different participation in profits and losses of certain securities ("Favorable Rights") or other matters. To effect such waivers or modifications or the grant of any special or more Favorable Rights or any other terms, the Capital Structure Fund may create additional classes, sub-classes, tranches or series of interests, and the Capital Structure Fund, or in certain cases Hudson Bay Capital, may enter into side letters with investors without

notice to, or consent of, other investors. Although certain investors may invest with different material terms, the Capital Structure Fund and Hudson Bay Capital generally will only offer such terms if they reasonably believe other investors in the Capital Structure Fund will not be materially disadvantaged.

The Corporate Value Fund

The Corporate Value Fund, a Delaware limited partnership, has been organized for the Institutional Investor and certain of the General Partner, Hudson Bay Capital, any of their respective owners, members, partners, directors, officers, and employees, members of the immediate families of such persons and trusts or other entities for their benefit (collectively, the “Hudson Bay Insiders”). The Institutional Investor and the Hudson Bay Insiders have made capital commitments to the Corporate Value Fund. The General Partner is the general partner of the Corporate Value Fund. The Corporate Value Fund is no longer accepting new subscriptions.

The Corporate Value Fund’s strategy is focused on identifying and investing in the securities of companies (each, a “Target”) that are the targets of buyouts or merger transactions (each, a “Corporate Event”), in situations in which either (i) the price at which shares of the Target eligible for appraisal can be acquired by the Corporate Value Fund in the market or (ii) Hudson Bay Capital’s analysis indicates that the buyout or merger consideration (the “Transaction Price”) agreed to between the Target and the acquiring or surviving corporation (the “Acquiror”), is below the value (the “Fair Value”) that Hudson Bay Capital believes is likely to be determined in an “Appraisal Proceeding.” An Appraisal Proceeding is litigation contesting that the consideration paid by the Acquiror in a Corporate Event for the Target’s securities is below Fair Value.

Hudson Bay Capital may cause the Corporate Value Fund to invest in any Corporate Event in which Hudson Bay Capital believes that it is able to identify a sufficient shortfall between the Transaction Price and Fair Value.

The term of the Corporate Value Fund will end as of December 31, 2022, subject to a single one-year extension in the discretion of the General Partner and to an additional one-year extension with the consent of the General Partner and the Institutional Investor.

Side Letters

The General Partner and Hudson Bay Capital have entered into certain agreements with the Corporate Value Fund investors that supplement and/or modify the terms of the Corporate Value Fund’s Confidential Private Placement Memorandum and Limited Partnership Agreement. While the terms applicable to Corporate Value Fund investors may differ, Hudson Bay Capital does not believe that such differences materially disadvantage any Corporate Value Fund investor.

The MLP Fund

The MLP Fund, a Delaware limited partnership, is a special purpose, co-investment vehicle designed to invest and divest in one specific investment alongside HBC MLP

LLC (“HBC LLC”), which is an indirect wholly-owned subsidiary of the Onshore Fund. The General Partner is the general partner of the MLP Fund. The MLP Fund is no longer accepting new subscriptions.

HBC LLC and the MLP Fund have acquired convertible preferred interests in a security of a certain master limited partnership (the “MLP”), as well as the underlying units of the MLP and any payments or distributions of any kind made pursuant to the MLP security (the “Asset”) targeted by Hudson Bay Capital. HBC LLC and the MLP Fund also hold certain short positions designed to serve as hedges of the Asset. HBC LLC has invested and will divest in the Asset at the same time (to the extent reasonably practical to do so) and on the same terms as the MLP Fund.

The MLP Fund may purchase, sell or enter into a variety of financial instruments in order to hedge its investment in the Asset (the “Hedging Trades”). The MLP Fund does not expect to acquire assets other than the Asset and in connection with the Hedging Trades. The MLP Fund may retain cash or cash equivalents to meet margin calls or potential margin calls.

Side Letters

The MLP Fund and Hudson Bay Capital have entered into certain agreements with certain of the MLP Fund investors that supplement and/or modify the terms of the MLP Fund’s Confidential Private Placement Memorandum and Limited Partnership Agreement. While the terms applicable to MLP Fund investors may differ, Hudson Bay Capital does not believe that such differences materially disadvantage any MLP Fund investor.

Item 5. Fees and Compensation

Hudson Bay Capital typically charges investors in the Funds fees that are based upon a set percentage of assets under management and/or performance, as set forth below. These fees are deducted directly from the applicable Fund’s account. Detailed disclosure about the fees and other expenses applicable to an investment in the Funds is provided in the operative confidential private placement memorandum (“PPM”) and related documents for the applicable Fund. Those operative documents should be carefully reviewed prior to making an investment in the Funds.

The Multi-Strat Funds

Management Fee

Investors in the Multi-Strat Funds are typically charged a fixed management fee equal to 2% per annum of the amount invested in a particular Multi-Strat Fund (the “Multi-Strat Management Fee”). (Calculation of the Multi-Strat Management Fee charged to the Levered Fund includes the asset value attributable to Fund Leverage (as defined below) used by the Levered Fund in addition to the amount invested by investors in the Levered Fund.) Such fee is typically paid monthly or quarterly in advance and is pro-rated for periods less than a full quarter.

Performance Fee

Investors in the Multi-Strat Funds are also typically charged an incentive fee or allocation equal to 20% per annum of the net profits allocable to the amount invested in a particular Multi-Strat Fund (after reduction by an amount equal to the Multi-Strat Management Fee), subject to a modified loss carry forward provision (the “Multi-Strat Performance Fee”). Under the modified loss carry forward provision, the Multi-Strat Performance Fee will be reduced by half to 10% until 2.1 times the loss is recovered for such investment. For example, if an investor in a particular Multi-Strat Fund suffers a loss of \$100, the next \$210 of net profits will be subject to the reduced 10% Multi-Strat Performance Fee. Additional net profits in excess of \$210 will be subject to the full 20% Multi-Strat Performance Fee.

Hudson Bay Capital reserves the right to reduce, waive or calculate differently the Multi-Strat Management and Multi-Strat Performance Fees with respect to any investor (and has done so on occasion), including, without limitation, investors that are Hudson Bay Insiders. Currently, Hudson Bay Insiders invested directly in certain of the Funds are not charged a management fee and may not be subject to an incentive fee or allocation or may be subject to a reduced incentive fee or allocation. By means of individually-negotiated arrangements, certain investors pay a reduced management fee in exchange for a substantial investment and reduced liquidity.

Other Types of Fees or Expenses

Multi-Strat Fund investors bear indirectly the fees and expenses charged to the Multi-Strat Funds and any Trading Vehicle. Feeder Fund investors bear the direct expenses of their respective Feeder Funds and their pro-rata share of expenses (where the Levered Fund’s pro-rata share includes the Fund Leverage (as defined below)) collectively incurred by the Multi-Strat Funds and any Trading Vehicle. These fees and expenses vary, but typically include, without limitation, the following:

Costs, fees and expenses incurred in connection with the Multi-Strat Funds investigating, developing, negotiating, structuring, purchasing, disposing of, trading, hedging, monitoring, valuing, terminating and holding investments, whether or not consummated, and other investment-related expenses of the Multi-Strat Funds and any Trading Vehicle, (e.g., brokerage commissions, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, clearing and settlement charges, exchange fees and interest expenses); research-related expenses, including, without limitation, research-related publications, investment/research-related travel and travel-related expenses, data and news and quotation equipment and services and expenses for industry conferences, symposiums, meetings or similar gatherings (including travel-related and admission expenses); fees and expenses of proxy research and voting services; fees and expenses of the administrator and other third parties (including on and off-site contractors and consultants) providing administrative, accounting, operations and valuation services (including any valuation agent); legal and other professional fees and expenses (including, without limitation, legal and other professional fees and expenses relating to the offering of interests (including, without

limitation, the negotiation and/or drafting of side letters, to be charged at the Master Fund level), investment activities, custody, brokerage, clearing, financing and credit agreements, regulatory investigations and/or proceedings attributable or relating to the Multi-Strat Funds or any Trading Vehicle, and regulatory reporting and compliance costs attributable or relating to the Multi-Strat Funds, such as filing fees and expenses relating to Form PF and Section 13 filings); professional fees and expenses (including, without limitation, fees and expenses of consultants and experts); fees of the investors' representative; 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); accounting, auditing and tax preparation expenses; costs of preparing and mailing reports and notices; organizational expenses; expenses relating to obtaining insurance for members, officers and employees of the general partner/boards of directors of the Multi-Strat Funds, any Trading Vehicle and Hudson Bay Capital; fees and expenses (including, without limitation, director registration fees) of the Multi-Strat Funds' directors; costs of annual or special investor meetings; Multi-Strat Management Fees; corporate licensing fees and other professional fees; bank service fees; withholding and transfer fees; taxes; other expenses related to the purchase, sale or transmittal of Multi-Strat Fund assets; costs of any audit, investigations, administrative or other proceedings, litigation and threatened litigation and proceedings relating to activities of the Multi-Strat Funds; fees and expenses associated with any tax or other audit, investigation, regulatory matter, settlement or review of the Multi-Strat Funds; and extraordinary expenses and other similar expenses related to the Multi-Strat Funds. A portion of research-related expenses may be paid for using "soft dollars" (*i.e.*, commission dollars and transaction fees generated through agency and certain riskless principal transactions).

To the extent any of the foregoing expenses are also attributable to any other investment fund, managed account, proprietary account or other account to which the General Partner, Hudson Bay Capital or any of their affiliates provides investment services (collectively, "Other Accounts"), such expenses will be allocated among the Multi-Strat Funds and the various Other Accounts in a manner as determined by Hudson Bay Capital in its sole discretion to be fair and reasonable, in accordance with Hudson Bay Capital's internal expense allocation policy. (See "Allocation of Expenses" below.)

Expenses attributable to the Multi-Strat Funds will be shared on a *pro rata* basis among each investor account; provided that (i) investor-specific expenses (including investor-related taxes) may be borne by the investor to which they relate and (ii) investors of a PM Tranche will bear any and all costs and expenses exclusive to such PM Tranche, including the costs and expenses related to the establishment of such PM Tranche, as well as their *pro rata* share of any and all costs and expenses that are specific, but not exclusive, to such PM Tranche, such as investment-related expenses. Notwithstanding the foregoing, certain expenses that only relate to particular investors may be paid by the Multi-Strat Funds generally (*i.e.*, foreign tax reporting requirements) and may not be specifically allocated.

In some cases, a Multi-Strat Fund may pay a money market fund or such other short-term investment vehicle an advisory fee on assets invested in the money market fund or short-term investment vehicle in addition to the fees paid to Hudson Bay Capital and/or an affiliate.

Please also see “Item 12—Brokerage Practices” below.

The Multi-Strat Funds are authorized to enter into arrangements to invest in entities managed by or affiliated with Hudson Bay Capital (including, for this purpose, individuals or entities that provide their services exclusively to Hudson Bay Capital or its affiliates or clients) (“Affiliate Trading Vehicles”). In such case, to the extent necessary to avoid two layers of compensation to Hudson Bay Capital and/or its affiliates, any fixed asset-based fees and/or performance-based compensation due to Hudson Bay Capital or its affiliates will reduce the Multi-Strat Management and/or Performance Fee payable to Hudson Bay Capital, as applicable, provided that where such entity is owned in part by Hudson Bay Capital and/or its affiliates and in part by an unaffiliated entity, such fees will be accounted for separately, such that the amount that is attributable to the unaffiliated entity will be treated as an expense of the Multi-Strat Fund and the amount that is attributable to Hudson Bay Capital and/or its affiliate will reduce, dollar-for-dollar, the Multi-Strat Management and/or Performance Fee. If the fixed asset-based fees payable by and/or performance-based compensation due to Hudson Bay Capital and/or its affiliate would exceed the combined Multi-Strat Management and Performance Fees, the amounts payable to such affiliate will be reduced so that there is no excess.

Hudson Bay Capital and/or its affiliates may earn fees and other income (“Ancillary Fees”) from services provided or related to portfolio investments or in connection with portfolio investments or prospective portfolio investments, such as, without limitation, advisory fees, due diligence fees, structuring fees, servicing fees, directors’ fees, break-up fees or any similar fees. Hudson Bay Capital and its affiliates will keep any profits, commissions, fees or other income earned by them in connection with any such activities. Neither Ancillary Fees nor other types of income earned by Hudson Bay Capital and its affiliates, including all income unrelated to the Multi-Strat Funds’ activities, will reduce the Multi-Strat Performance or Management Fee, and the Multi-Strat Funds will not participate in any such income.

The Capital Structure Fund

Management Fee

The Capital Structure Fund’s PPM provides that investors in the Capital Structure Fund are charged a management fee equal to 1.5% per annum of the amount invested in the Capital Structure Fund (the “Capital Structure Management Fee”). Certain investors have negotiated separate management fee arrangements pursuant to side letters and Hudson Bay Insiders do not pay a Capital Structure Management Fee. The Capital Structure Management Fee is paid quarterly in advance and is pro-rated for periods less than a full quarter.

Incentive Allocation

Investors in the Capital Structure Fund are also typically charged an incentive fee or allocation equal to 30% per annum of the net profits allocable to the amount invested in the Capital Structure Fund (after reduction by an amount equal to the Capital Structure Management Fee), subject to a modified loss carry forward provision (the “Capital Structure Incentive Allocation”). Under the modified loss carry forward provision, the Capital Structure Incentive Allocation will be reduced by half to 15% until 2.1 times the loss is recovered for such investment. For example, if a Capital Structure Fund investor suffers a loss of \$100, the next \$210 of net profits will be subject to the reduced 15% Capital Structure Incentive Allocation. Additional net profits in excess of \$210 will be subject to the full 30% Capital Structure Incentive Allocation.

Hudson Bay Capital reserves the right to reduce, waive or calculate differently the Capital Structure Management Fee and the Capital Structure Incentive Allocation with respect to any investor (and has done so), including, without limitation, any investor that is a Hudson Bay Insider.

Other Types of Fees and Expenses

Capital Structure Fund investors bear indirectly the fees and expenses charged to the Capital Structure Fund (including any trading subsidiary’s expenses). These fees and expenses vary, but typically include, without limitation, the following:

The Capital Structure Management Fee; investment-related expenses of the Capital Structure Fund (*e.g.*, brokerage commissions, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, clearing and settlement charges, exchange fees, interest expenses and investment/research-related travel and travel-related expenses); research-related expenses, including, without limitation, research-related publications, data and news and quotation equipment and services and expenses for industry conferences, symposiums, meetings or similar gatherings (including travel-related and admission expenses); fees and expenses of the administrator and other third parties (including on and off-site contractors and consultants) providing administrative, accounting, operations and valuation services (including any valuation agent); legal expenses (including, without limitation, legal expenses relating to the offering of interests, investment activities, regulatory investigations and/or proceedings relating to the Capital Structure Fund or any other vehicle through which the Capital Structure Fund makes investments or enters into transactions, and regulatory reporting and compliance costs relating to the Capital Structure Fund or any other vehicle through which the Capital Structure Fund makes investments or enters into transactions, such as filing fees and expenses relating to Form PF and Section 13 filings); professional fees and expenses (including, without limitation, fees and expenses of consultants and experts); fees of the investors’ representative; 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); accounting, auditing and tax preparation expenses; costs of preparing and mailing reports and notices; organizational expenses; expenses relating to obtaining insurance for members, officers and employees of the General Partner and Hudson Bay Capital and members of the Master Capital Structure Fund board of directors and the board of any vehicle through which the Capital Structure Fund makes investments or enters into transactions; fees and expenses (including, without limitation, director registration fees) of the Master Capital Structure Fund board of directors and the directors of any vehicle through which the Capital Structure Fund makes investments or enters into transactions; corporate licensing fees and other professional fees; bank service fees; withholding and transfer fees; taxes; other expenses related to the purchase, sale or transmittal of Capital Structure Fund assets; and extraordinary expenses and other similar expenses related to the Capital Structure Fund and any vehicle through which the Capital Structure Fund makes investments or enters into transactions. A portion of research-related expenses may be paid for using “soft dollars.”

To the extent any of the foregoing expenses are also attributable to any Other Account, such expenses will be allocated among the Capital Structure Fund and the various Other Accounts in a manner as determined by Hudson Bay Capital in its sole discretion to be fair and reasonable, in accordance with Hudson Bay Capital’s internal expense allocation policy. (See “Allocation of Expenses” below.)

Generally, expenses attributable to the Capital Structure Fund will be shared on a *pro rata* basis among each investor account, provided that investor-specific expenses (including investor-related taxes) may be borne by the investor to which they relate.

Please also see “Item 12—Brokerage Practices” below.

The Capital Structure Fund may enter into arrangements to invest in Affiliate Trading Vehicles. In such case, any fixed asset-based fees and/or performance-based compensation due to Hudson Bay Capital or its affiliates will reduce the Capital Structure Management Fee and/or Incentive Allocation payable to Hudson Bay Capital or its affiliates, as applicable, provided that where such entity is owned in part by Hudson Bay Capital and/or its affiliates and in part by an unaffiliated entity, such fees will be accounted for separately, such that the amount that is attributable to the unaffiliated entity will be treated as an expense of the Capital Structure Fund and the amount that is attributable to Hudson Bay Capital and/or its affiliate will reduce, dollar-for-dollar, the Capital Structure Management Fee and/or Incentive Allocation. If the fixed asset-based fees payable by and/or performance-based compensation due to Hudson Bay Capital and/or its affiliate would exceed the combined Capital Structure Management Fee and Incentive Allocation, the amounts payable to such affiliate will be reduced so that there is no excess.

The Corporate Value Fund

Reinvestments; Distributions; Management Fee

The proceeds attributable to a given investment in a Corporate Event (a “Corporate Event Investment” or “Investment”) may, in the discretion of Hudson Bay Capital, either be reinvested or distributed to Corporate Fund investors and the General Partner (the “Partners”). The Corporate Value Fund will distribute any “Distributable Cash” generated from each Investment to the Partners to the extent that such Distributable Cash is not reinvested (a “Distribution”); provided that Distributable Cash generated by an Investment (or related hedges and incidental P/L) if not reinvested or committed to be reinvested within 30 days of the Corporate Fund’s receipt of such Distributable Cash will be distributed (rather than continuing to be held for possible reinvestment) and any portion thereof representing a return of capital contributions will be added back to unfunded capital commitments and be subject to recall by the General Partner. “Distributable Cash” consists of all proceeds attributable to a given Investment that Hudson Bay Capital does not determine to be necessary or advisable for hedging activities or to retain to pay Corporate Value Fund expenses. In general, no material amounts of Distributable Cash will be generated by an Investment until the related Appraisal Proceeding is settled, prepaid, adjudicated or the related claim is sold.

Beginning with the month following the date that Hudson Bay Capital notifies the Corporate Value Fund investors that it has determined that the Corporate Value Fund will proceed with an Appraisal Proceeding in respect of an Investment, the Corporate Value Fund will pay Hudson Bay Capital quarterly in advance a management fee (the “Corporate Value Management Fee”) equal to .50% per annum of the capital contributions made by the Partners and/or reinvestments attributable to the Investment, payable until the two year anniversary (the “Two Year Anniversary Date”) of the payment of the first installment of the Corporate Value Management Fee with respect to such Investment; provided that if the Appraisal Proceeding is completed and distributions are received by the Corporate Value Fund in respect of such Appraisal Proceeding prior to the Two Year Anniversary Date, the Corporate Value Fund will pay Hudson Bay Capital a one-time bonus equal to 1% of the capital contributions in respect of such Investment (including reinvestments) *minus* the Corporate Value Management Fees paid to date to Hudson Bay Capital in respect of such Investment.

Carried Interest

The Corporate Value Fund pays a carried interest (the “Corporate Value Carried Interest”) which may not become due (if at all) until the end of the Term. The Corporate Value Carried Interest is subject to being calculated each time the proceeds of a Corporate Event Investment are distributed or deemed distributed upon reinvestment of such proceeds. Any Corporate Value Carried Interest is calculated from Distributions actually made or deemed made (in the case of reinvestments) to a limited partner with respect to an Investment.

Each distribution of Distributable Cash with respect to an Investment will be apportioned

among the Partners in accordance with their respective participation percentages (*i.e.*, the ratio of the Partner's capital contributions to the aggregate capital contributions of all Partners). The amounts so apportioned will be distributed to each limited partner and the General Partner in the following amounts and order of priority:

- First, 100% to the limited partner until the limited partner has received, on a cumulative basis, Distributions with respect to such Investment and all Investments realized prior to the date of such Distribution equal to: (x) all capital contribution(s) (without any deduction for any Corporate Value Fund expenses attributable to such Investments) made by the limited partner in respect of such Investments, *plus* (y) the limited partner's allocable expense in respect of such Investment and each other Investment as to which a disposition has occurred, in each case as of the date of such Distribution;
- Second, 100% to each limited partner until the limited partner has received a 5% cumulative internal rate of return, computed using the later of (x) the actual dates and (y) the due dates of each of such limited partner's capital contributions in respect of Investment(s) identified in the first bullet point above and the applicable Distributions set forth under the first bullet point above (the "Preferred Return");
- Third, 100% to the General Partner until the General Partner has received 15% of the amounts distributed in the second bullet point above and this third bullet point; and
- Fourth, 85% to the limited partner and 15% to the General Partner (the Distributions made to the General Partner under the third bullet point above and this fourth bullet point, the "Corporate Value Carried Interest").

Hudson Bay Capital may reduce, waive or calculate different the Corporate Value Management Fee and/or the Corporate Value Carried Interest with respect to the Hudson Bay Insiders.

Other Types of Fees or Expenses

Corporate Value Fund investors bear indirectly the fees and expenses charged to the Corporate Value Fund. These fees and expenses typically include all expenses incurred in connection with the Investments as well as the Corporate Value Fund's operations and administration, including, without limitation, the following:

Costs, fees and expenses incurred in connection with investigating, developing, negotiating, structuring, purchasing, originating, disposing of, trading, hedging, valuing, terminating and holding investments, whether or not consummated, and other investment-related expenses, including travel and lodging expense associated with attending Appraisal Proceeding(s) of the Corporate Value Fund (*e.g.*, brokerage commissions, interest on margin accounts and other indebtedness (to the extent leverage is utilized), borrowing charges on securities sold short, custodial fees, clearing and settlement

charges, exchange fees, interest expenses); research-related expenses, including, without limitation, research-related publications, investment/research-related travel and travel-related expenses, data and news and quotation equipment and services and expenses for industry conferences, symposiums, meetings or similar gatherings (including travel-related and admission expenses); fees and expenses of the administrator and other third parties (including on and off-site contractors and consultants) providing administrative, accounting, operations and valuation services (including the services of the valuation agent hired to provide estimates of the value of outstanding Corporate Event Investments); legal and other professional fees and expenses (including, without limitation, legal and other professional fees and expenses relating to the offering of Interests, investment activities, Appraisal Proceedings (including, fees related to legal discovery and experts' fees), custody, brokerage, clearing, financing and credit arrangements, regulatory investigations and/or proceedings attributable or relating to the Corporate Value Fund, any other vehicle through which the Corporate Value Fund makes investments or enters into transactions, and regulatory reporting and compliance costs relating to the Corporate Value Fund or any other vehicle through which the Corporate Value Fund makes investments or enters into transactions, such as filing fees and expenses relating to Form PF and Section 13 filings); professional fees and expenses (including, without limitation, fees and expenses of consultants and experts); 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 or are utilized in preparing investor reports, 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); accounting, auditing and tax preparation expenses; costs of preparing and mailing reports and notices; expenses relating to obtaining insurance for members, officers and employees of the General Partner and/or Hudson Bay Capital; fees and expenses (including, without limitation, director registration fees of the directors of any vehicle through which the Fund makes investments or enters into transactions); costs of annual or special meetings of Limited Partners; the Corporate Value Management Fees; corporate licensing fees and other professional fees; bank service fees; withholding and transfer fees; taxes and similar amounts, fees and expenses of the Corporate Value Fund's tax matters partner or partnership representative; other expenses related to the purchase, sale or transmittal of Corporate Value Fund assets; costs of any audit, investigations, administrative or other proceedings, litigation and threatened litigation (other than litigation or threatened litigation among the Corporate Value Fund and the General Partner or any Affiliate of the General Partner) and proceedings relating to activity of the Corporate Value Fund; fees and expenses associated with any tax or other audit, investigation, regulatory matter, settlement or review of the Corporate Value Fund; and extraordinary expenses and other similar expenses related to the Corporate Value Fund and any vehicle through which the Corporate Value Fund makes investments or enters into transactions. A portion of research-related expenses may be paid for using "soft dollars" (*i.e.*, commission dollars and transaction fees generated through agency and certain riskless principal transactions).

To the extent any of the foregoing expenses are also attributable to any Other Account, such expenses will be allocated among the Corporate Value Fund and the various Other

Accounts in a manner as determined by Hudson Bay Capital in its sole discretion to be fair and reasonable, in accordance with Hudson Bay Capital's internal expense allocation policy. See "Allocation of Expenses" below.

Please also see "Item 12 – Brokerage Practices" below.

The MLP Fund

Management Fee

The MLP Fund will not be charged a management fee by Hudson Bay Capital.

Distributions; Recycling; Carried Interest

All cash proceeds received by the MLP Fund with respect to the Asset and the Hedging Trades, net of expenses, reserves and tax withholding (collectively, "Net Proceeds"), will be distributed to MLP Fund investors within 30 days following the MLP Fund's receipt of such proceeds; provided, however, that Net Proceeds may be recycled in the sole discretion of the General Partner (in keeping with the MLP Fund's investment objective) until the third anniversary of the initial date that the MLP Fund accepted subscriptions from the limited partners (the "Closing Date").

Cash proceeds received by the MLP Fund with respect to the Asset and the Hedging Trades, net of expenses, reserves and tax withholding (collectively, "Net Proceeds") will be apportioned in the first instance among the MLP Fund investors *pro rata* based on each investor's respective partnership percentage (*i.e.*, the ratio of the investor's capital contributions to the aggregate capital contributions of all investors). Net Proceeds apportioned to the General Partner will be distributed to the General Partner. Net proceeds apportioned to each limited partner will be distributed to such limited partner and the General Partner in the following amounts and order of priority:

- *Return of Capital:* First, 100% to the limited partner until the MLP Fund has made distributions in respect of the limited partner equal to the aggregate capital contributions made by the limited partner; and
- *General Partner/Limited Partner Split:* Thereafter, one minus the Carried Interest Rate (as defined below) to the limited partner and the Carried Interest Rate to the General Partner (the distributions to the General Partner described in this clause being referred to collectively as "MLP Carried Interest").

The Carried Interest Rate means 20% with respect to each limited partner that was an investor in the Onshore Fund or the Offshore Fund as of the Closing Date and 30% with respect to other limited partners.

Hudson Bay Capital expects to waive the MLP Carried Interest with respect to limited partners who are Hudson Bay Capital employees, partners, members or principals (or their respective estate planning vehicles). In addition, Hudson Bay Capital has entered into a side letter with a single limited partner whereby in exchange for a large capital

commitment such limited partner, in addition to certain other provisions, is not charged an MLP Carried Interest until a certain threshold return “hurdle” has been met.

Other Types of Fees or Expenses

MLP Fund investors bear indirectly the fees and expenses charged to the MLP Fund. These fees and expenses typically include, without limitation, the following:

Investment-related expenses (*e.g.*, brokerage commissions, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, clearing and settlement charges, exchange fees, interest expenses and investment/research-related travel and travel-related expenses); research-related expenses, including, without limitation, research-related publications, data and news and quotation equipment and services; fees and expenses of the administrator and other third parties (including on and off-site contractors and consultants) providing administrative, accounting, operations and valuation services; legal expenses (including, without limitation, legal expenses relating to the offering of interests, investment activities, regulatory investigations and/or proceedings relating to the MLP Fund, and regulatory reporting and compliance costs relating to the MLP Fund, such as filing fees and expenses relating to Form PF and Section 13 filings); professional fees and expenses (including, without limitation, fees and expenses of consultants and experts); 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, and obtaining and storing data required for such systems and technology), such expenses to include, for the avoidance of doubt, the fees and expenses of consultants providing the foregoing; accounting, auditing and tax preparation expenses; costs of printing and mailing reports and notices; organizational expenses; expenses relating to obtaining insurance for members, officers and employees of the General Partner and Hudson Bay Capital; corporate licensing fees and other professional fees; bank service fees; withholding and transfer fees; entity-level taxes; other expenses related to the purchase, sale or transmittal of MLP Fund assets; and extraordinary expenses and other similar expenses related to the MLP Fund.

To the extent any of the foregoing expenses are also attributable to any Other Accounts, such expenses will be allocated among the MLP Fund and the various Other Accounts in a manner as determined by Hudson Bay Capital in its sole discretion to be fair and reasonable, in accordance with Hudson Bay Capital’s internal expense allocation policy. See “Allocation of Expenses” below.

Please also see “Item 12 – Brokerage Practices” below.

Allocation of Expenses

As Hudson Bay Capital manages investments on behalf of a number of Funds, Hudson Bay Capital may be required to allocate expenses among the various Funds. Hudson Bay Capital has adopted policies and procedures for the allocation of investment and operating expenses that are incurred for multiple Funds (“Multi-Fund Expenses”),

although the policies and procedures may change from time to time and may differ materially from those described below and exceptions from the methodology set forth below may occur from time to time as determined by Hudson Bay Capital.

Hudson Bay Capital will allocate each Multi-Fund expense among the Funds that should bear the applicable expense (the “Applicable Funds”) *pro rata* generally using one of the following metrics: (i) assets under management; (ii) number of transactions; (iii) number of active positions; (iv) number of lifetime positions; and (v) such other metric(s) as may be applicable in the discretion of Hudson Bay Capital (each a “Fund Allocation Metric”).

Hudson Bay Capital will select the Fund Allocation Metric and the Funds that are Applicable Funds for each Multi-Fund Expense in a manner that it believes to be fair and reasonable based upon the facts and circumstances surrounding the Multi-Fund Expense at issue. For example, direct investment expenses generally will be allocated based upon an Applicable Fund’s respective participations in the relevant investments. Hudson Bay Capital may, from time to time, change the Fund Allocation Metric utilized for a Multi-Fund Expense, and the Funds that are Applicable Funds for a particular Multi-Fund Expense, based upon new circumstances and/or considerations and/or create new Fund Allocation Metrics as Hudson Bay Capital deems appropriate.

Consultants

Certain services provided to the Funds at their expense by consultants and other independent contractors could, theoretically, otherwise be provided by an employee that Hudson Bay Capital would hire at its expense. While Hudson Bay Capital may be subject to a conflict in terms of deciding whether to retain a consultant or hire an employee to perform a task, there may be valid business reasons for a consultant to be hired (*e.g.*, the limited nature of the task or the particular expertise or preference of the consultant).

Item 6. Performance-Based Fees and Side-by-Side Management

As stated in “Item 5 – Fees and Compensation” above, generally all Hudson Bay Capital Clients are subject to payment of a performance-based fee. As a result, Hudson Bay Capital does not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not others. However, to the extent performance-based fees paid by Clients vary, Hudson Bay Capital may have an incentive to favor one Client over another. Hudson Bay Capital addresses this possible conflict through its trade allocation policy, in which investment opportunities are allocated among Clients according to each Client’s investment objectives and what it believes to be in a fair and equitable manner.

Item 7. Types of Clients

As described in “Item 4 – Advisory Business” above, Hudson Bay Capital provides investment advice to private investment vehicles (defined previously as the “Funds”). Each of the Funds is excluded from the definition of “investment company” pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended. Hudson Bay Capital provides investment advice directly to the Funds and not individually to the Fund

investors. The Fund investors generally consist of institutions (*e.g.*, pension plans, endowments, trusts, estates, charitable organizations, foundations, insurance companies, banks, etc.), “funds of funds” and high net worth families and individuals.

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

The Multi-Strat Funds

Methods of Analysis, Investment Strategies and Risk of Loss

Hudson Bay Capital’s investment objective on behalf of the Multi-Strat Funds is to target traditional and non-traditional sources of alpha by employing a diverse set of catalyst-driven absolute return strategies that are intended to be uncorrelated to each other and to the major indices. The Multi-Strat Funds expect to hold both long and short positions in a broad range of debt and equity securities, derivatives and other financial instruments on a global basis. There are no material limitations on the instruments, markets or countries in which the Multi-Strat Funds may invest or on the investment strategies which may be employed on behalf of the Multi-Strat Funds. The Multi-Strat Funds do not focus on, nor is their trading limited to, any geographic area, industry sector, issuer credit rating or issuer market capitalization level. The Multi-Strat Funds are not subject to any formal diversification requirements, and a Multi-Strat Fund’s portfolio may, from time to time, be concentrated in a limited number of positions or strategies.

The Multi-Strat Funds may trade derivatives (including commodity and credit-related derivatives trading) both for hedging and for investment purposes.

Hudson Bay Capital is continually developing new, and adapting and refining existing, strategies. Its current strategies include convertible arbitrage, merger and event-driven arbitrage, direct equity and debt investing, options and volatility arbitrage and credit trading. Hudson Bay Capital’s strategies generally fall into three categories: relative value, event-driven and directional. There are no clear dividing lines among these categories, and any strategy employed by the Multi-Strat Funds may be cross-categorized to the extent that its guiding logic is multidisciplinary.

Relative Value Strategies

Relative value strategies seek to profit from the relative mispricing of related assets: *e.g.*, convertible bonds and the common stock underlying the conversion option, other options and futures and their underlying reference assets, debt instruments of the same issuer or of different issuers (including credit default swaps on the issuer(s)) with different maturities or yields and the common stock of different issuers in the same industry sector. These strategies may be highly quantitative and based on theoretical or historical pricing relationships. Because they focus on capturing the value from the relative mispricing of related assets, relative value strategies can generate returns independent of overall movements in the global level of debt or equity prices, although many of these strategies in fact are constructed with a long or short equity or debt bias. Because the mispricings that these strategies exploit tend to be small in absolute terms, these strategies frequently use leverage, which could be substantial, in an attempt to increase returns. Relative value

strategies typically do not hedge all the risks of the strategy, and certain risks cannot be effectively hedged.

Event-Driven Strategies

Event-driven strategies concentrate on the profit potential created by major corporate events: *e.g.*, mergers, acquisitions, restructurings, bankruptcies, liquidations, regulatory or legal developments and other events. Unlike relative value strategies, which emphasize the (often theoretically compelled) quantitative relationship among different but related assets, event-driven strategies are highly issuer- and transaction-specific and could rely more on fundamental research and judgment than on mathematical precision. Positions are taken which will be profitable if a particular event comes to pass, while a variety of techniques are used to mitigate the risk that the event does not occur. Event-driven strategies are dependent on market conditions conducive to major corporate events.

Directional Strategies

Directional strategies attempt to predict near to mid-term absolute movements in the prices of equities, debt instruments or other assets. Price forecasting may be based on the fundamental analysis of an issuer or industry (which may be based on subjective evaluation of the strength of management, the prospects for the business or other factors), specific expertise in a particular technological or scientific niche, quantitative analysis of value indicators, econometric models in which issuers are treated as fungible, or other fundamental or technical analysis appropriate to a particular situation. Although diverse in their methods, these strategies each attempt to predict future prices based not on relative mispricing or on the occurrence of a particular event that will itself define value, but rather on the belief that the market will come to realize the “fair” value of an asset. These strategies are subject to the risk that Hudson Bay Capital will have incorrectly identified fair value or that such fair value will not be reflected in market value within the time horizon of the strategy.

Although certain directional strategies (for example, buying growth equities) are largely dependent on overall market movements, others attempt to reduce the impact of the market conditions by establishing both long and short positions. While such “beta neutral” or “beta reduced” strategies may, to a certain extent, be characterized as relative value strategies, the hallmark of these strategies is the identification of assets that Hudson Bay Capital believes the market will revalue and the elimination through hedging of the factors that may cause the market not to do so.

Hybrid and Other Strategies

Hudson Bay Capital will design and implement strategies incorporating elements of relative value, event-driven and directional approaches, as well as such other opportunistic investment tactics, as Hudson Bay Capital may consider advantageous from time to time.

As of the date of this Brochure, Hudson Bay Capital categorizes its Multi-Strat Fund strategies into the following groups in its reports to investors: (i) event-driven/merger arbitrage (including long/short equity); (ii) volatility trading; (iii) convertibles; and (iv) credit.

Certain of the specific trading strategies and techniques (including sub-strategies) that have historically been used for the Multi-Strat Funds are outlined below for illustrative purposes. The following does not purport to be a complete list of all trading strategies employed, and certain of the Multi-Strat Funds' trades may involve a combination of, or a departure from, these strategies.

- *Event/Merger Arbitrage* – involves investing in securities of an issuer which is involved in prospective mergers or corporate combinations, acquisitions, tender offers, exchange offers, corporate recapitalizations, litigation or spin-offs or other corporate action transactions with the expectation of profiting from the difference between the price of such securities at the inception of the investment and the price of such securities in expectation of or upon consummation of particular events.
- *Derivative Arbitrage* – involves the purchase and sale of options, futures, warrants, swaps and other derivative securities in anticipation of profiting from a relative mispricing between them. These transactions may be offset in the underlying principal markets. Examples of such strategies are commonly known as index arbitrage and volatility arbitrage.
- *Options Arbitrage* – seeks to profit from market turbulence or lack thereof, as reflected in movements in option prices that result from either market volatility or market fluctuations. The goal of this strategy is to buy inexpensively priced (*i.e.*, low implied volatility) options whose underlying instruments are historically more volatile and sell expensively priced (*i.e.*, high implied volatility) options whose underlying instruments are historically less volatile.
- *Equity-volatility Arbitrage* – seeks to identify and exploit relative mispricings in general volatility levels, skew and term structures across global markets. Hudson Bay Capital will evaluate volatility through the analysis of capital structure, event catalysts and the structured products market.
- *Convertible Arbitrage* – involves purchasing and selling convertible securities and may involve hedging the underlying equity and/or credit risk, in anticipation of profiting from a relative mispricing among them. This is intended to create a net position that is designed to be substantially neutral to the movements in the underlying equity and has an attractive yield.
- *Direct Investments* – involves the purchasing and selling, through private placements or public offerings, of securities offered by companies that are publicly traded. Direct investments generally include private investments in public equity (“PIPEs”) as well as the following investments issued or offered by

public companies: (i) convertible debt securities and preferred stock, with and without embedded put and call features; (ii) common stock issued at a discount or implied discount; (iii) warrants, purchased alone or issued in connection with non-convertible debt securities or any of the securities listed above, which warrants may or may not be publicly traded and in which the underlying security may be restricted or unrestricted; (iv) registered direct offerings; (v) confidentially marketed public offerings; and (vi) other structured investments in public companies. A variant of the direct investment strategy is the purchase of publicly traded, SEC-registered securities of special purpose acquisition companies (so-called SPACs), companies that have no operations but that go public with the intention of merging with or acquiring a private company within a specified period of time. Most of the money raised from a SPAC's initial public offering is placed in a trust until the merger or acquisition is consummated. A SPAC's publicly offered securities typically consist of units comprised of common shares and warrants. The Multi-Strat Funds are not limited in the types of direct investments they may make and can also invest in, among other things, debt and equity of private companies.

- *Stock Loan Arbitrage* – from time to time, trading opportunities arise based on the ability to borrow or lend certain types of securities, directly or synthetically.
- *Capital Structure Arbitrage* – involves the simultaneous long purchase and short sale of two different classes of securities of the same issuer in order to capitalize on relative mispricings among them.
- *Credit Strategies* – involve long and short investments in different corporate and asset-backed securities and derivatives, including loan participations and allocations (*i.e.*, interests in a loan, generally governed by a credit agreement between the original lending syndicate) in the secondary market. Other credit-related strategies take various different forms, including (but not limited to) buying and selling different credit-sensitive instruments relating to one issuer, selling “short” bonds of an issuer subject to potential credit deterioration, and buying distressed and high-yield securities offering favorable return profiles.
- *Distressed Strategies* – involve purchases and sales of debt and equity securities and obligations of companies that Hudson Bay Capital believes are likely to be defaulting on their obligations; entering bankruptcy; in bankruptcy; liquidating; emerging from bankruptcy; restructuring; or otherwise in distress or emerging therefrom. Distressed strategies frequently require an activist approach to be taken, including communicating directly with the officers or advisors of the issuer, joining a creditor or shareholders committee, or joining or initiating legal action to protect the rights of the Multi-Strat Funds.
- *Directional Equity, Corporate Debt, Derivatives or Currencies* – These strategies involve trading in equity, debt, derivatives or currencies using technical or fundamental analysis or a combination thereof in anticipation of profiting from movements in the prices of these assets. Such investments may be concentrated

in specific industry sectors and may include short- or long-term investments, as well as investments in investment grade or distressed debt or equity.

- *Relative Value Long/Short Equity* – involves taking a number of long and short positions in a particular equity market to create a portfolio that is designed to have a reduced, if any, net market exposure. Equities that are deemed relatively undervalued are purchased long and relatively overvalued equities are sold short. This strategy can benefit from relative value discrepancies with reduced stock market risk and may be driven by fundamental analysis of industry sectors.
- *Fundamental Long/Short Equity* – involves taking long positions in undervalued equity securities and short positions in overvalued equity securities. In this strategy, the Multi-Strat Funds often accept some equity market exposure seeking to profit from both security selection and thematic sector or market timing decisions.

Leverage at the Levered Fund Level

In pursuing its investment objective (*i.e.*, its investment in the Master Fund through the Intermediate Fund), the Levered Fund expects to employ a substantial degree of leverage at the Levered Fund level (“Fund Leverage”), which is in addition to the leverage obtained at the Master Fund level. Although the Levered Fund has no pre-determined limitations on the amount of leverage it may utilize, the Levered Fund’s target leverage is 1.5x-2x net asset value (“NAV”). The Levered Fund may use more or less leverage without notice to the shareholders. Leverage is also used by the Master Fund. While leverage presents the opportunity for increasing the total return on investments, it has the effect of potentially increasing losses as well.

The Levered Fund will obtain the Fund Leverage from a third party multi-national financial institution (such institution, or any additional or substitute lender, the “Lender”). Under the terms of this financing, the Levered Fund intends to secure Fund Leverage by pledging all of its assets, including its interests in the Intermediate Fund, to the Lender. Further, the Intermediate Fund will guarantee the Levered Fund’s obligations to the Lender and pledge all of its assets, including its interests in the Master Fund (which guarantee will be limited to the NAV of the Fund’s interests in the Intermediate Fund) to the Lender. The Fund Leverage will take the form of a note issued by the Levered Fund to the Lender and/or other similar instruments or structures designed to achieve a similar result. The cost of the Fund Leverage will be structured as a floating benchmark which will be reset periodically plus a fixed additional amount which may be reset annually. The principal amount will be payable at the end of the one year term unless the Lender determines not to extend the Fund Leverage. The Fund Leverage will be provided under agreements (“Lender Agreements”) that will require the Levered Fund to make customary representations as well as provide the Lender with additional rights including but not limited to indemnity rights and rights to have any increased costs or other expenses reimbursed. The Lender Agreements will also subject the Fund to additional obligations and requirements such as reporting, borrower covenants, and representations, investments guidelines and portfolio diversification. The Lender Agreements will also

contain customary provisions specifying events of default including: failure to pay principal, impairment of security interest, loan to value (“LTV”) breach, NAV trigger, cross default, bankruptcy or issuer failure to perform, among others. If the LTV rises above the threshold, the Levered Fund will be required to immediately redeem out of its interests in the Intermediate Fund and its indirect interests in the Master Fund in an amount necessary to reduce the LTV. Accordingly, the Lender Agreements and the Fund Leverage create higher costs to the Levered Fund along with a possibility of a default by the Levered Fund.

If the Levered Fund defaults under a Lender Agreement, the Lender will likely have the right to foreclose on all of the assets of the Levered Fund including its ownership interests in the Intermediate Fund and foreclose on all of the assets of the Intermediate Fund including its interests in the Master Fund and sell, assign, transfer, redeem or liquidate those assets. This will have the impact of crystallizing the value of the collateral and could magnify potential losses to the shareholders. If the Lender were to foreclose on the assets of the Levered Fund, it may have the right to redeem the Levered Fund’s ownership of the Intermediate Fund and the Intermediate Fund’s ownership of the Master Fund in an accelerated manner. In addition, if such an event of default occurs, the Levered Fund could lose the Fund Leverage and may be unable to replace it.

The Levered Fund may replace the Lender with another financial institution, or obtain additional leverage from another financial institution under terms similar or different from the terms provided by the Lender without notice. The terms including the associated financing charges and other costs required by such additional or replacement lender to provide the Fund Leverage may be more onerous than those imposed by the Lender.

Guarantees

In addition to the Lender Agreements, there will be situations in which the Master Fund (or one of its subsidiaries) may need to provide a guarantee on behalf of one or more of the Multi-Strat Funds (including any Multi-Strat Funds to be formed in the future) or any of their subsidiaries (each, a “Guaranteed Entity”) as credit support to (a) facilitate trading or financing with a prime broker, swap dealer or other financing counterparty (each, a “Financing Counterparty”) or (b) guarantee financing necessary to leverage the amount of the Guaranteed Entity’s investment in the Master Fund and/or the HB Fund. The Master Fund may pledge all or any portion of its assets to support such guarantee; provided that the amount of the guarantee will be limited to the value of the interest that the Guaranteed Entity has in the Master Fund. These financing arrangements may limit or reduce the amount of leverage available to the Master Fund as the Master Fund may choose or be required to custody or segregate a certain amount of its assets with a Financing Counterparty thereby reducing collateral available for the Master Fund. Further, the Financing Counterparty may aggregate the financing provided to the Guaranteed Entity together with the financing provided to the Master Fund directly, and establish a single financing limit for the total collateral posted by the Master Fund on its own behalf and on behalf of the Guaranteed Entity.

Third-Party Ventures

In executing a Multi-Strat Fund's investment strategies, a Multi-Strat may (i) enter into joint venture arrangements with unaffiliated third parties, (ii) participate in private pooled investment vehicles (including other private investment funds, but specifically excluding, for purposes of the definition below of "Third-Party Ventures," (a) pooled investment vehicles that are publicly traded, such as mutual funds, and (b) pooled investment vehicles managed by Hudson Bay Capital and/or its affiliates) or (iii) invest capital in separately managed accounts with unaffiliated investment managers where Hudson Bay Capital determines that such arrangements complement Hudson Bay Capital's expertise and/or enhance the Multi-Strat Fund's ability to access specific investment opportunities beyond Hudson Bay Capital's resources, in each case, where a third party has investment discretion (collectively, "Third-Party Ventures"), provided, however, that the Multi-Strat Fund will not enter into Third-Party Ventures that represent investments in non-publicly traded funds-of-funds where the underlying investments are themselves private investment companies. When a Multi-Strat Fund enters into a Third-Party Venture, the manager thereof may be paid fixed asset-based fees and/or performance-based compensation. This is in addition to the Multi-Strat Management and Performance Fees received by Hudson Bay Capital and/or an affiliate.

Term Investments

Generally, the instruments in which the Multi-Strat Funds invest are issued by publicly-traded companies, although from time to time, the Multi-Strat Funds purchase investments that are long-term in nature and/or less liquid than an investment in readily marketable securities. Among other limitations, such investments may be subject to regulatory limitations on resale, including extended holding period requirements, during which period the Multi-Strat Funds may be limited in their ability to liquidate such investments ("Term Investments").

A subcategory of Term Investments are investments that Hudson Bay Capital believes will become freely tradeable only after a year (the "Longer Term Investments"). The aggregate net asset value of each Feeder Fund's exposure to Longer Term Investments generally will not comprise more than 5% of the net asset value of the Multi-Strat Master Fund (measured at the time such investment is made) (the "Longer Term Investment Limitation"). Privately issued securities that are convertible or exercisable into securities that are freely tradeable or are expected to become freely tradeable within a year generally would not fall within this category of investments. A detailed description of the methodology Hudson Bay Capital currently employs in determining which investments constitute Longer Term Investments is set forth in each Feeder Fund's PPM. If Hudson Bay Capital believes that illiquid opportunities warrant investing in excess of the Longer Term Investment Limitation, it will notify all Multi-Strat Fund investors of a proposal to exceed such amount. Consenting investors will share in these opportunities on a *pro rata* basis.

Trading Vehicles

Although the Multi-Strat Master Fund implements its own investing and trading strategies directly, it also invests through Trading Vehicles, including one or more other funds managed by Hudson Bay Capital or any of its affiliates.

There are no material restrictions on the strategies, leverage or markets which may be incorporated into the Multi-Strat Funds' portfolio or the percentage of a Multi-Strat Fund's assets that may be committed to any particular strategy type, market or instrument. The composition of a Multi-Strat Fund's portfolio, as well as the liquidity profile and the expected position duration of such portfolio, can be expected to change materially over time, as the strategies implement by Hudson Bay Capital continue to evolve.

Co-Investments

The Multi-Strat Funds may co-invest in the same investment opportunity together with Other Accounts and may offer co-investment opportunities to Other Accounts and other co-investors (including Multi-Strat Fund investors and/or third parties). In such circumstances, the investment opportunity available to the Multi-Strat Funds may be less than it otherwise would have been. Certain co-investors investing with a Multi-Strat Fund may invest on different (and more favorable) terms applicable to the Multi-Strat Fund and may have interests or requirements that conflict with and adversely impact the Multi-Strat Fund (*e.g.*, with respect to their liquidity requirements, available capital, the timing of acquisitions and disposals or other rights). Hudson Bay Capital will generally seek to assure that the Multi-Strat Funds, Other Accounts and third party co-investors participate in any co-investment and related transactions on comparable terms to the extent practicable and share in corresponding investment related expenses. Multi-Strat investors should note, however, that this may not be practicable in all circumstances and that the Multi-Strat Funds may participate in such investments on different and potentially less favorable terms than such parties if Hudson Bay Capital deems such participation in the Multi-Strat Funds' best interest. This may have an adverse impact on the Multi-Strat Funds.

Material Risks

Investing in securities involves risk of loss that Clients and Multi-Strat Fund investors should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Multi-Strat Funds' investments. This summary does not attempt to describe all of the risks associated with an investment in a Multi-Strat Fund. Although no summary can fully describe all of the risks associated with such an investment, each Feeder Fund's PPM contains a more complete description of the risks associated with an investment in that Multi-Strat Fund.

Risk management is a key part of Hudson Bay Capital's investment process. Hudson Bay Capital attempts to monitor the risk parameters of each Multi-Strat Fund's overall

portfolio, as well as the concentration of the portfolio in any particular investment asset, strategy or market. Although Hudson Bay Capital attempts to mitigate risk in the Multi-Strat Funds by hedging at the position, strategy and/or portfolio level, such attempts may not be effective and hedging strategies themselves could add additional risks. Hudson Bay Capital generally does not attempt to hedge all market or other risks inherent in a Multi-Strat Fund's portfolio, and hedges certain risks, if at all, only partially.

General Risks

Investment and Trading Risks in General

All investments made by a Multi-Strat Fund risk the loss of capital. No guarantee or representation is made that a Multi-Strat Fund's program will be successful and investment results may vary substantially over time. The past performance of speculative trading strategies such as those implemented by the Multi-Strat Funds is not necessarily indicative of their future results.

Leverage Risk

The use of leverage is integral to many of the Multi-Strat Funds' strategies, and the Multi-Strat Funds depend on the availability of credit in order to finance its portfolio. The Multi-Strat Funds borrow funds from brokers, banks and other lenders; purchase securities on margin; and use various derivatives. The use of leverage creates risks of "credit squeezes" and the adverse effects of discretionary margin increases by dealers and counterparties and, in certain circumstances, can increase the losses to which a Multi-Strat Fund's portfolio may be subject.

Volatility Risk

The prices of instruments traded by the Multi-Strat Funds have been subject to periods of excessive volatility in the past, and such periods may recur. While volatility can create profit opportunities for the Multi-Strat Funds, it also can create the specific risk that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur losses. On the other hand, given the nature of many of the Multi-Strat Funds' strategies, the lack of volatility can also result in materially diminished prospects for profitability to the Multi-Strat Funds and even losses for certain of the Multi-Strat Funds' strategies that profit from price movements.

Risk of Stagnant Markets

Although volatility is one indication of market risk, certain of the Multi-Strat Funds' investment strategies rely for their profitability on market volatility contributing to the mispricings that the strategies are designed to identify. Option values increase in direct (although correlation to increases in market volatility, so that strategies that are "long volatility" typically are unprofitable in stagnant markets. In periods of trendless, stagnant markets and/or deflation, alternative investment strategies have materially diminished prospects for profitability.

Liquidity Risk

Certain of the Multi-Strat Funds' investment positions may be illiquid in the ordinary course of business, as well as experience periods of illiquidity despite generally being liquid. Lack of liquidity can make it economically unfeasible for a Multi-Strat Fund to recognize profits on open positions or to close out open positions against which the market is moving and could also adversely affect the Multi-Strat Funds' ability to rebalance their portfolios. Illiquidity can also disconnect market values from the historical pricing indicators used in Hudson Bay Capital's investment analysis.

Fraud

Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty or an issuer. Such inaccuracy or incompleteness, among other things, may adversely affect the valuation of the collateral underlying an investment or cause funds to be misappropriated. Hudson Bay Capital relies upon the accuracy and completeness of representations made by counterparties and issuers to the extent that it deems such representations to be reasonable, but cannot guarantee such accuracy or completeness.

Cybersecurity Risk

Hudson Bay Capital processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Multi-Strat Funds and personally identifiable information of the investors. Similarly, service providers of Hudson Bay Capital and/or the Multi-Strat Funds, especially the administrator, may process, store and transmit such information. Hudson Bay Capital 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. Hudson Bay Capital's systems or facilities may be susceptible to employee error or malfeasance, government surveillance and/or other security threats. Breach of Hudson Bay Capital's information systems may cause information relating to the transactions of the Multi-Strat Funds and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed. The service providers of Hudson Bay Capital and the Multi-Strat Funds are subject to the same electronic information security threats as Hudson Bay Capital.

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

Custody Risk

The assets of the Multi-Strat Funds are generally held in accounts maintained for them by their banks, prime brokers or in accounts with other market participants. Such accounts

are generally not segregated and the assets therein are not titled in the name of the Multi-Strat Fund. Therefore, in addition, because the Multi-Strat Funds' securities are generally held in margin accounts, and the prime brokers have the ability to loan those securities to other persons, a Multi-Strat Fund's ability to recover all of its assets in the context of its bankruptcy or other failure will be further limited. If the banks or brokerage firms selected to act as custodians become insolvent, a Multi-Strat Fund may lose all or a portion of the funds or securities held by those custodians.

“Master-Feeder” Structure

The Multi-Strat Funds operate in a “master-feeder” structure. The master-feeder fund structure—in particular the existence of multiple Feeder Funds investing in the same master fund—presents certain unique risks to investors. Smaller Feeder Funds investing in the Master Fund may be materially affected by the actions of larger Feeder Funds investing in the Master Fund. For example, if a larger Feeder Fund redeems from the Master Fund, the remaining Feeder Funds may experience higher *pro rata* operating expenses, thereby producing lower returns. The Master Fund may become less diverse due to a redemption by a larger Feeder Fund, resulting in increased portfolio risk. The Master Fund is a single entity and creditors of the Master Fund may enforce claims against all assets of the Master Fund.

Strategy Risks

Multi-Strategy Approach

Hudson Bay Capital implements a multi-strategy approach. The different strategies which are combined in a Multi-Strat Fund's portfolio may generate offsetting gains and losses resulting in substantial transaction costs, but no net profit.

Multiple Managers Trading Independently

Any strategy which is used in the Multi-Strat Funds' portfolio may generate offsetting gains and losses resulting in substantial transaction costs, but no net profit. Investment decisions are, for the most part, made by separate portfolio managers, acting independently of one another, so it is possible that one portfolio manager may be purchasing securities that are being sold at the same time by another portfolio manager. In such cases, the Multi-Strat Funds may incur certain transaction costs without achieving any net returns. It is also possible that portfolio managers could compete for the same positions.

Relative Value Strategies

The success of the Multi-Strat Funds' relative value trading is dependent on Hudson Bay Capital's ability to exploit relative mispricings among interrelated instruments. Mispricings, even if correctly identified, may not converge within the time frame within which a Multi-Strat Fund maintains its positions. The Multi-Strat Funds' relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of the Multi-Strat

Funds' or third-party valuation models. Market disruptions may also force a Multi-Strat Fund to close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing relative value strategies. Even if a Multi-Strat Fund's relative value investment strategies are successful, they may result in high portfolio turnover, and, consequently, high transaction costs.

A major component of relative value trading involves spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss may occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably and, due to the leveraged nature of the Multi-Strat Funds' trading, result in increased losses.

Changes in the shape of the yield curve can cause significant changes in the profitability of relative value strategies. In the event of an inversion of the yield curve, the reversal of the interest differential between investments of different maturities can make previously profitable hedging techniques unprofitable.

Market Neutral and Hedged Strategies

Although Hudson Bay Capital invests in positions that are intended to be market neutral, it may be unable to, or decide not to, hedge its positions, and, in such event, a Multi-Strat Fund might sustain a significant risk of loss as a result of changes in the price of unhedged positions. In addition, there is no guarantee that the returns of the Multi-Strat Fund will continue to have a low correlation or be non-correlated with market indices and the Multi-Strat Fund could experience significant losses.

The Multi-Strat Funds also may utilize financial instruments such as commodity interests, forward contracts and interest rate swaps, caps and floors both for investment purposes and to seek to hedge against fluctuations in the relative values of the Multi-Strat Funds' portfolio positions. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Multi-Strat Funds to enter into a hedging transaction at an acceptable price or at a price sufficient to protect the Multi-Strat Funds from the anticipated decline in value of the portfolio position.

Event-Driven Investing

Event-driven strategies focus on investing in positions whose profitability depends upon the result of some significant corporate event occurring. The consummation of mergers, exchange offers, cash tender offers or other similar transactions can be prevented or delayed by a variety of factors. If the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged may, and likely will, decline sharply by an amount greater than the difference between the Multi-Strat Fund's purchase price and the anticipated

consideration to be paid. Where a security to be issued in a merger or exchange offer has been sold short in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may cause the Multi-Strat Fund to cover its short sale, with a resulting, and perhaps significant, loss. A Multi-Strat Fund may not otherwise hedge a short position established in anticipation of the failure of an announced transaction.

If a Multi-Strat Fund purchases securities in anticipation of an acquisition attempt or reorganization which does not occur, the Multi-Strat Fund may sell the securities at a substantial loss. In addition, where securities are purchased in anticipation of an acquisition attempt or reorganization, substantial time may elapse between the Multi-Strat Fund's purchase of securities and the acquisition or reorganization. In such cases, a portion of the Multi-Strat Fund's funds would be committed during this period to the securities purchased, and the Multi-Strat Fund would incur an interest expense on the funds it borrowed to purchase the securities.

The Multi-Strat Funds invest in "distressed securities" – debt and equity securities, including obligations of U.S. and non-U.S. entities which are experiencing significant financial or business difficulties. Investments in distressed securities involve a substantial degree of risk. A Multi-Strat Fund may lose a substantial portion or all of its investment in a distressed investment or may be required to accept cash or securities with a value less than the Fund's investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such entities. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than in other markets.

The Multi-Strat Funds may invest in companies involved in or undergoing work-outs, liquidations, split-offs, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security with a value less than the purchase price to the Multi-Strat Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Multi-Strat Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Multi-Strat Fund may invest, there is a potential risk of loss by the Multi-Strat Fund of its entire investment in such companies.

The Multi-Strat Funds may make investments in restructurings that involve companies that are experiencing or are expected to experience severe financial difficulties. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, the Multi-Strat Fund's investment is subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a company and that high administrative costs may impair the value of

the company. In addition, such investments could subject the Multi-Strat Fund to certain additional potential liabilities that may exceed the value of the Multi-Strat Fund's original investment therein.

Directional Trading

Certain of the positions taken by the Multi-Strat Funds may be directional (*i.e.*, designed to profit from forecasting absolute price movements in a particular instrument) and certain of the relative value and event-driven investment strategies used by the Multi-Strat Funds may have inherently directional characteristics. Directional investing is subject to all the risks inherent in incorrectly predicting future price movements. Often these price movements will be determined by unanticipated factors, and even if the determining factors are correctly identified, Hudson Bay Capital's analysis of those factors may prove inaccurate, in each case potentially leading to substantial losses. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

Risks Related to Certain Instruments Traded

Equity Securities

The investment portfolio of the Multi-Strat Funds includes positions in common stocks, preferred stocks and convertible securities principally of U.S. issuers and non-U.S. issuers. The Multi-Strat Funds also invest in depositary receipts relating to non-U.S. securities. The equity securities held by the Multi-Strat Funds may be acquired pursuant to exchange trades, from dealers in over-the-counter transactions and pursuant to direct transactions. Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous political, climate-related and other factors, influence the cost of equities; there can be no assurance that Hudson Bay Capital will be able to predict future price levels correctly.

Debt Securities

Debt securities in which the Multi-Strat Funds may invest may be subject to price volatility due to various factors, including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. Investments traded by the Multi-Strat Funds may pay fixed, variable or floating rates of interest, may include interest-only, principal-only or residual obligations and may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks. In addition to the sensitivity of these instruments to overall interest-rate movements, there exists a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues.

In addition to "high investment grade" debt securities, the Multi-Strat Funds invest in "low investment grade" or "non-investment grade" debt securities, which are typically subject to greater market fluctuations and risks of loss both in respect of income and principal than

lower yielding, investment grade securities. The prices of the “low investment grade” or “non-investment grade” debt securities acquired by the Multi-Strat Funds are often influenced by many of the same unpredictable factors which affect equity prices.

Certain of Hudson Bay Capital’s strategies invest in hybrid debt arrangements, which are subject to risks in addition to overall interest-rate movements and the issuers’ ability to pay the debt in accordance with its terms. The Multi-Strat Funds may invest in synthetic debt instruments, such as credit default swaps, which are often subject to more categories of risk than conventional debt; for example, the credit risk of a swap counterparty as well as the issuer of the underlying debt.

Investments in Loans

Although priority loans in which the Multi-Strat Funds will invest may hold the most senior position in the capitalization structure of the borrower, a borrower’s inability to meet its payment obligations under junior debt may detract from the borrower’s perceived creditworthiness, reduce the value and liquidity of the loans made to the borrower and impair the borrower’s ability to obtain financing to cover short-term cash flow needs, which may force the borrower into bankruptcy or other forms of credit restructuring.

Certain of the loans acquired by the Multi-Strat Funds will be issued by entities which face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer’s failure to make timely interest and principal payments. The market values of certain of these debt investments may reflect individual corporate developments, and it is likely that a major economic recession would have a materially adverse impact on their value.

Sovereign Debt and Currencies

The Multi-Strat Funds may take long or short positions in sovereign debt and currencies to profit from inefficient pricing anomalies, for hedging and for other speculative/profit purposes. The strategies employed will include: (i) macroeconomic analysis, (ii) funding, interest rate, fixed income, or currency market arbitrage or (iii) fixed income arbitrage, rates or a similar strategy. The Multi-Strat Funds also invest in foreign exchange contracts, futures and associated derivatives in an attempt to capture relative valuation of different currencies, the interest rate or the cost of funding in different currencies or benefit from the price movement of various currencies. These strategies are highly complex and technical and frequently require substantial leverage. There can be no assurance that Hudson Bay Capital can engage in these strategies profitably.

Convertible Securities

The Multi-Strat Funds invest in convertible securities that they may acquire in the open market or directly from issuers, their affiliates and others. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A contingent convertible security (known as “Co-Cos”) is a hybrid security that is only convertible under certain conditions (for example, the right to convert can only be exercised if the price of the underlying stock is a certain percentage over the conversion price). A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by the Multi-Strat Fund is called for redemption, the Multi-Strat Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Furthermore, an issuer could refuse to permit the Multi-Strat Fund to convert the convertible security into the underlying common stock, despite its obligation to do so. Any of these actions could have an adverse effect on the Multi-Strat Fund’s ability to achieve its investment objective

Direct Investments in Public Companies

The Multi-Strat Funds implement strategies in which they invest directly in the equity securities of public companies, which securities may be illiquid and/or restricted (such as PIPEs), as well as in convertible securities and warrants which may be restricted and/or illiquid even if the underlying equity is freely tradeable. There is often no trading market for these investments, and the Multi-Strat Funds may only be able to liquidate these positions, if at all, at disadvantageous prices. The Multi-Strat Funds may be required to hold such investments despite adverse price movements and may be restricted from hedging its exposure to them and, even if the Multi-Strat Funds are not restricted from hedging, the Multi-Strat Funds may choose not to hedge such exposure or such hedge may not be effective. If a Multi-Strat Fund makes a short sale of an illiquid holding, the Multi-Strat Fund may have difficulty in covering the short sale, resulting in a potentially unlimited loss to the Multi-Strat Fund.

Unlike the purchase of freely tradeable common stock in the open market, the Multi-Strat Funds’ unregistered (or restricted) securities of public companies (including instruments

that are convertible, exchangeable or exercisable into registered, freely tradeable securities of public companies) generally involve contractual obligations by the issuer of such securities requiring the issuer to take certain actions, including but not limited to registering the securities, transferring securities upon resale or, in the case of convertible securities, issuing the underlying securities upon exercise of convertible securities and registering the underlying securities with the appropriate federal and state authorities for resale. In order for the Multi-Strat Funds' investment strategy to be effective, the issuer of such securities must abide by its contractual obligations; otherwise, the Multi-Strat Funds may lose all or a portion of their investment.

In connection with its sales of securities purchased pursuant to Regulation D or otherwise exempt from registration, the Multi-Strat Funds could be deemed to be "statutory underwriters" based on the method and timing of such sales. If a Multi-Strat Fund were deemed to be a "statutory underwriter," it could have an adverse effect on the transaction(s) in respect of which such determination is made and, possibly, on the Multi-Strat Fund's ability to continue to effectively pursue this investment strategy.

The Multi-Strat Funds rely on certain exemptions from the SEC's registration requirements to sell its restricted securities, including Rule 144 of the U.S. Securities Act of 1933, as amended (the "Securities Act"). Under Rule 144, before selling any restricted securities, the Multi-Strat Funds may be obligated to hold them for at least six months provided that the issuer is subject to, and has complied with, the reporting requirements of the Securities Act. If the issuer is not subject to the reporting requirements of the Securities Act, then the Multi-Strat Funds may be required to hold the restricted securities for at least one year before they can be sold in the market. There may be circumstances where restricted securities will never become freely tradeable (*i.e.*, if the issuer was a "shell" company and is not complying with the reporting requirements). The law regarding the resale of restricted securities can change, and in the past has changed. There can be no assurance that future changes will not adversely affect the Multi-Strat Funds' ability to resell their restricted securities.

The Multi-Strat Funds may purchase securities alongside other third party investors, and may coordinate efforts with such third parties in negotiating the terms of such securities. Although the Multi-Strat Funds will generally take actions designed to prevent them from being deemed a member of a "group" with such other investors for purposes of Sections 13 and 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and related provisions, there is no guarantee that a regulatory body will not deem the parties negotiating such terms to constitute a "group." In the event that the Multi-Strat Funds' conduct in these situations gives rise to such "group" status, they may be deemed to beneficially own all equity securities of the issuer beneficially owned by the other group members. Such beneficial ownership may, in turn, trigger certain regulatory filings and may cause the Multi-Strat Funds to be deemed "affiliates" of the issuer pursuant to Rule 144 of the Securities Act, which, as described above, would subject the Multi-Strat Funds to, among other things, certain limitations on the amount of securities it can sell in such issuer's securities. In situations where a Multi-Strat Fund does not deem itself to be a member of a "group," but a regulator takes a different view, it could lead to regulatory action against the Multi-Strat Fund for violation of the applicable

provisions of the Exchange Act.

The Multi-Strat Funds' investments in unregistered (or restricted) securities of public companies (including instruments that are convertible or exercisable into unregistered (or restricted) securities of public companies) may be difficult to value accurately. In light of the foregoing, there is a risk that an investor who redeems all or part of its investment while the Multi-Strat Funds hold such investments will be paid an amount less than it would otherwise be paid if the actual value of such investments is higher than the value designated by the Multi-Strat Funds. Conversely, there is a risk that an investor who redeems all or part of its investment while the Multi-Strat Funds holds such investments will be paid an amount more than it would otherwise be paid if the actual value of such investments is lower than the value designated by the Multi-Strat Funds, to the detriment of the other investors.

The securities laws and regulations governing investing in investments obtained directly from public companies (such as PIPES) and hedging transactions related thereto are complex and difficult to implement and monitor. In many cases, there is no clear regulatory guidance on the interpretation and application of these laws and regulations. While Hudson Bay Capital and the Multi-Strat Funds consult with competent counsel on these issues, the nature of these laws and regulations are that they are subject to interpretation and re-interpretation, as well as application in manners unanticipated or expected, which could expose the Multi-Strat Funds, Hudson Bay Capital and their respective affiliates to liability with respect to such transactions.

Derivative Securities

Derivative instruments, or "derivatives," include instruments and contracts that are derived from and are valued in relation to one or more underlying assets, benchmarks or indices. A derivative is a product that allows an investor to hedge or speculate upon the price movements of a particular asset, financial benchmark or index that could be a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative is linked to the price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset also may be applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearing through a U.S. clearinghouse while other derivatives are subject to risks of trading in the over-the-counter markets, and others are subject to non-U.S. regulatory regimes. Price movements of futures and options contracts and payments pursuant to derivative agreements are influenced by, among other things, the longevity of the contract, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and derivative agreements also depends upon the price of the assets that are underlying them. In addition, the Multi-Strat Funds' assets are also subject to the risk of the failure of any of the clearinghouses or counterparties.

Options

The Multi-Strat Funds may write (*i.e.*, sell) and purchase put and call options. Sales of options where the Multi-Strat Funds does not own the underlying asset to which the option is referenced can involve theoretically unlimited risk.

The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) may hedge its long position in the underlying security by earning premium upon the sale of the option. In exchange for the premium, the seller assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security (to the extent the decline exceeds the premium received), and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) may hedge its short position in the underlying security by earning premium upon the sale of the option. In exchange for the premium, the seller assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security (to the extent the increase exceeds the premium received), and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Volatility is a principal component of options pricing. If the volatility in the market for the asset underlying the options held or sold by the Multi-Strat Funds changes materially, the Multi-Strat Funds directly could incur substantial losses even if the options in question would have generated substantial profits if the current price levels had been in effect at expiration.

Credit Default Swaps

The Multi-Strat Funds purchase and sell credit derivatives contracts (primarily credit default swaps). Credit default swaps can be used to implement Hudson Bay Capital's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Multi-Strat Funds may sell credit default protection in which they receive a premium to take on the risk. In such an instance, the obligation of the Multi-Strat Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity.

The Multi-Strat Funds may also buy credit default protection with respect to a referenced entity if, in the judgment of Hudson Bay Capital, there is a likelihood of credit deterioration. In such instance, the Multi-Strat Funds will pay a premium regardless of whether there is a credit event. As a buyer of credit default swaps, in circumstances in which the Multi-Strat Funds do not own the debt securities that are deliverable under a credit default swap, the Multi-Strat Funds are exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will not be successful. In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation had occurred. The creation of the International Swaps and Derivatives Association Credit Derivatives Determination Committee (the “Determination Committee”) is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determination Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Multi-Strat Funds would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Multi-Strat Funds incur leveraged exposure to the credit of the reference entity and are subject to many of the same risks they would incur if they were holding debt securities issued by the reference entity. However, the Multi-Strat Funds will not have any legal recourse against the reference entity and may not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer may have broad discretion to select which of the reference entity’s debt obligations to deliver to the Multi-Strat Funds following a credit event and may choose the obligations with the lowest market value in order to maximize the payment obligations of the Multi-Strat Funds.

In addition, credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions. The credit default market may become subject to increased regulation, which could increase costs or even prevent participation by the Multi-Strat Funds.

Risks Related to Certain Trading and Investing Techniques and Methodologies

Model Risk

Certain of the Multi-Strat Funds’ strategies may require the use of quantitative valuation models that Hudson Bay Capital has developed over time, as well as valuation models developed by third parties. As market dynamics shift over time, a previously highly successful model often becomes outdated or inaccurate, perhaps without Hudson Bay Capital recognizing that fact before substantial losses are incurred. There can be no assurance that Hudson Bay Capital will be successful in continuing to develop and maintain effective quantitative models. Models are subject to limitations, including, but not limited to, those caused by incorrect or unrealistic assumptions, computer herding,

inapplicability of historical data, omission of key data, erroneous code, oversimplification and underpricing risk.

Operational Risk

The Multi-Strat Funds depend on Hudson Bay Capital to develop appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or potential disruption of the Multi-Strat Funds' operations. The Multi-Strat Funds' business is dynamic and complex. As a result, certain operational risks are intrinsic to the Multi-Strat Funds' operations, especially given the volume, diversity and complexity of transactions that the Multi-Strat Funds are expected to enter into daily. The Multi-Strat Funds must be able to process, on a daily basis, transactions across numerous and diverse markets. Consequently, the Multi-Strat Funds rely heavily on the financial, accounting and other data processing systems of Hudson Bay Capital and the administrator. The ability of these systems to accommodate an increasing volume, diversity and complexity of transactions could also constrain the ability of a Multi-Strat Fund to properly manage its portfolio. Systemic failures in the systems employed by the Multi-Strat Funds, Hudson Bay Capital, prime brokers, the administrator and/or counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions in the Multi-Strat Funds' operations may cause Hudson Bay Capital and the Multi-Strat Funds to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage.

Short Sales Risk

The Multi-Strat Funds' investment strategies require routine "short sales." A short sale involves the sale of a security that the Multi-Strat Fund does not own in order to hedge related risks. To make delivery to the buyer, the Multi-Strat Fund generally must borrow the security, and the Multi-Strat Fund is obligated to pay the lender of the security a stock borrow fee as well as any dividend or interest payable on the security until it returns the security to the lender. 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 the cost to the Multi-Strat Fund of buying those securities to cover the short position. There can be no assurance that the Multi-Strat Funds will be able to maintain their ability to borrow securities sold short. In such cases, the Multi-Strat Funds could 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 the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Hedging Risk

While a Multi-Strat Fund may enter into hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk, thereby incurring losses to the Multi-Strat Fund. In addition, such hedging transactions may result in a poorer overall performance for the Multi-Strat Fund than if it had not engaged in any such hedging transactions. Hedging strategies themselves are subject to both significant transaction costs, as well as to path-dependent outcomes determined upon when hedging positions are applied, increased, reduced or eliminated and the correlation between such hedging positions and the directional positions that they are intended to hedge. Moreover, (i) Hudson Bay Capital does not, in general, attempt to hedge all market or other risks inherent in the Multi-Strat Funds' portfolio, hedges certain risks only partially, if at all, and may not anticipate certain risks; and (ii) the Multi-Strat Funds' portfolio will always be exposed to certain risks that cannot be hedged.

Risk Related to Third-Party Ventures

When a Multi-Strat Fund invests in Third-Party Ventures, the Multi-Strat Fund must rely on the performance of third parties, thereby increasing the risk of manager misconduct or bad judgment, as well as limiting Hudson Bay Capital's control over, and knowledge of, the Multi-Strat Fund's overall portfolio. The Multi-Strat Fund may not be able to redeem shares from a Third-Party Venture even in situations where such Third-Party Venture is deviating from announced strategies or risk control policies or has otherwise been materially adversely affected. Furthermore, a Third-Party Venture may deviate significantly from its announced strategies and/or risk control policies without Hudson Bay Capital's knowledge.

Emerging Markets Risk

The Multi-Strat Funds may invest in countries that are considered to be "emerging markets." These investments present unique risks, including, *e.g.*, government instability, political risk, changes in administration and policy and regulation, including the risk of imposition of currency controls, enforcement risk, expropriation risk, the potential inability to hedge market risk and other risks related to a developing legal and regulatory framework, limited disclosures and access to information from issuers relative to what is customary in the United States and risks relating to the application of various laws and regulations.

Illiquid Portfolio Securities

Occasionally, subject to the Longer Term Investment Limitation, the Multi-Strat Funds may purchase Longer Term Investments. Among other limitations, such investments may be subject to regulatory limitations on resale, including extended holding period requirements, during which period a Multi-Strat Fund may be limited in its ability to liquidate such investments. A Multi-Strat Fund may not be able to readily dispose of

such securities and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time.

Valuation Risk; Use of Estimates

The Multi-Strat Funds' positions are valued using the methodologies set forth in the Feeder Funds' PPMs and the administrator calculates the net asset value of the Multi-Strat Funds based on pricing information gathered. Such valuations will affect the Multi-Strat Management and Incentive Fees received by Hudson Bay Capital and its affiliates.

The values of the Multi-Strat Funds' positions are based, to the extent possible, on independent third-party pricing sources, which may include quotes provided by brokers and dealers and valuation agents. However, it is not unusual for the prices quoted by dealers for informational purposes to materially differ from the prices at which the same dealers are willing to actually enter into transactions. This discrepancy can cause unexpected net asset value declines if a Multi-Strat Fund is required to sell a position which it had been valuing based upon dealers' marks. Moreover, certain valuations cannot be made on the basis of third-party pricing sources. The fair market value of those investments of a Multi-Strat Fund for which a reliable third-party quote is not available is based on other relevant sources deemed reliable by a valuation agent and other third-party valuation agents as well as Hudson Bay Capital, in their good faith judgment. To the extent that there is a pricing uncertainty beyond acceptable tolerances, the final authority ultimately rests with Hudson Bay Capital to resolve such uncertainty. Hudson Bay Capital will not bear any liability if a price, reasonably believed by it to be an accurate valuation of a particular direct or indirect investment of the Multi-Strat Funds, is subsequently found to be inaccurate.

Hudson Bay Capital must depend on the valuations furnished to it by its Third-Party Ventures. In the case of the Multi-Strat Funds' passive investments with certain Third-Party Ventures, Hudson Bay Capital may have no means of verifying the valuations provided to the Multi-Strat Funds, and such valuations may be subject to material correction and/or restatement over time.

The Levered Fund: Risks Associated with Fund Leverage

The Levered Fund expects to employ a substantial degree of Fund Leverage and will use more leverage than the other Multi-Strat Funds currently advised by Hudson Bay Capital. While leverage presents opportunities for increasing the total return on investments, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment indirectly held by the Levered Fund (at the Master Fund through the Intermediate Fund) will be magnified and could result in a substantial loss to the Levered Fund, which will be greater than if the Levered Fund were less (or not) leveraged.

The Fund Leverage will be provided under Lender Agreements that will require the Levered Fund to make customary representations as well as provide the Lender with additional rights including but not limited to indemnity rights and rights to have any

increased costs or other expenses reimbursed. The Lender Agreements will also subject the Levered Fund to additional obligations and requirements, such as reporting, borrower covenants and representations, investment guidelines and portfolio diversification. The Lender Agreements will also contain customary provisions specifying events of default including: failure to pay principal, impairment of security interest, loan to value (“LTV”) breach, NAV trigger, cross default, bankruptcy or issuer failure to perform, among others. If the LTV rises above the threshold, the Levered Fund will be required to immediately redeem out of its interests in the Intermediate Fund and its indirect interests in the Master Fund in an amount necessary to reduce the LTV. Accordingly, the Lender Agreements and the Fund Leverage create higher costs to the Levered Fund along with a possibility of a default by the Levered Fund.

If the Levered Fund defaults under a Lender Agreement, the Lender will likely have the right to foreclose on all of the assets of the Levered Fund including its ownership interests in the Intermediate Fund and foreclose on all of the assets of the Intermediate Fund including its interests in the Master Fund and sell, assign, transfer, redeem or liquidate those assets. This will have the impact of crystallizing the value of the collateral and could magnify potential losses to the shareholders. If the Lender were to foreclose on the assets of the Levered Fund, it may have the right to redeem the Levered Fund’s ownership of the Intermediate Fund and the Intermediate Fund’s ownership of the Master Fund in an accelerated manner. In addition, if such an event of default occurs, the Levered Fund could lose the Fund Leverage and may be unable to replace it.

The Levered Fund may replace the Lender with another financial institution, or obtain additional leverage from another financial institution under terms similar or different from the terms provided by the Lender without notice to an investor. The terms including the associated financing charges and other costs required by such additional or replacement lender to provide the Fund Leverage may be more onerous than those imposed by the Lender.

Conflicts of Interest Related to the MLP Fund

In connection with advising the MLP Fund, certain conflicts may arise between Hudson Bay Capital’s obligations to the Onshore Fund and/or HBC LLC, a subsidiary of the Onshore Fund, on the one hand, and the MLP Fund, on the other hand. Please see “The MLP Fund – *Methods of Analysis, Investment Strategies and Risk of Loss – Conflicts of Interest*” below.

The Capital Structure Fund

Methods of Analysis, Investment Strategies and Risk of Loss

The Capital Structure Fund’s investment objective is to achieve attractive risk-adjusted returns by investing and trading in debt, equity, options, derivative contracts (including credit derivatives) and other securities and instruments, as well as those instruments that Hudson Bay Capital believes are appropriate to hedge certain exposures or positions in the portfolio. In addition to investing in the foregoing securities and instruments, Hudson

Bay Capital will from time to time cause the Capital Structure Fund to make opportunistic investments in other types of securities and transactions.

The Capital Structure Fund pursues its investment objective and strategies primarily in the United States, but may also invest on a global basis. The Capital Structure Fund will implement a number of different strategies in its portfolio, including but not limited to convertible arbitrage, relative value, capital structure arbitrage and other credit-related strategies. Although the Capital Structure Fund's overall focus will be on convertible and other equity-linked and related investments as well as other debt, there are no material limitations on the markets, strategies, instruments or countries in which Hudson Bay Capital may trade on behalf of the Capital Structure Fund, and the Capital Structure Fund is not subject to any specific diversification requirements with respect to the issuers, product types or amount of leverage that may be incorporated in the Capital Structure Fund's portfolio, except as may be dictated by applicable laws.

The Capital Structure Fund uses leverage, which will be substantial, but there is no assurance that the desired level of leverage will be available on acceptable terms, or at all. Within the Capital Structure Fund's overall focus on investments in convertible and other equity-linked and related securities, the Capital Structure Fund's portfolio may from time to time be concentrated, possibly materially, in a particular market, strategy, instrument type or country.

On an ongoing basis, the Capital Structure Fund's portfolio evolves as new market sectors, instruments, strategies and techniques are incorporated by Hudson Bay Capital and others are discontinued or modified. The Capital Structure Fund's portfolio and its performance can be expected to differ materially over time — in particular, when compared to the portfolio and performance at different points during the many years of the Capital Structure Fund's trading or at the time that an investor first invests.

In its pursuit of the Capital Structure Fund's investment objective, Hudson Bay Capital applies strategies that may include one or more of the strategies described below in addition to other strategies that may be incorporated in the future. The nature and type of the strategies used by Hudson Bay Capital, as well as the method by which they are implemented, may be materially affected by general market conditions, governmental action and other factors which are both unpredictable and beyond the control of Hudson Bay Capital. Consequently, the strategies used for the Capital Structure Fund may vary, possibly significantly, over time.

Relative Value Strategies

The Capital Structure Fund's relative value strategies will focus on spread relationships between the pricing components of financial assets. These strategies seek to avoid exposure to significant outright market risk. However, the "spread" risk of the relative values of positions diverging rather than converging or vice versa may be significant. Hudson Bay Capital employs mathematical techniques and models in an attempt to identify and hedge trading opportunities. The individual positions that these strategies seek to exploit typically have relatively low risk, although the leverage needed

to generate acceptable returns increases the risk.

Convertible arbitrage is an example of a relative value strategy. Another example of this strategy is where the Capital Structure Fund acquires a long position in an issuer's debt which is hedged by an offsetting position in another security in the same capital structure. A relative value trade also may involve the use of other instruments (such as a credit default swap) in conjunction with the long positions. This strategy also could be reversed at times, to center around a short position in the issuer's debt, hedged with offsetting long position/s.

Convertible Arbitrage Strategy

The Capital Structure Fund's convertible arbitrage strategy consists of buying, selling and trading convertible securities, typically including hedging a portion of the risk inherent in such securities. Convertible hedging combines the use of other instruments in conjunction with a convertible security with a view to controlling risk while seeking capital gains. Convertible securities may be hedged by selling short some or all of the common stock issuable upon conversion of such securities, or by establishing "synthetic" short positions through derivatives and options transactions.

Hudson Bay Capital will employ a variety of convertible arbitrage trading and investment strategies for the Capital Structure Fund. The primary objective of such trading is to profit from mispricings and anomalies between and among the various instruments traded, seeking to exploit a relatively small perceived spread on any given trade. The successful identification of mispriced securities and contracts requires expertise in assessing the relative values of different but related instruments.

The value of a security is influenced by a number of characteristics, including credit quality, volatility, liquidity and "borrowability," as well as "corporate event" risk (e.g., change of control transactions). In order to mitigate these risks, Hudson Bay Capital utilizes fundamental credit research along with quantitative analysis and modeling in making investments with regard to the equity and fixed income components of any particular investment.

"Low Premium" Convertibles

At times in the life cycle of a convertible or equity-linked instrument, that instrument will trade at a valuation near to the market valuation of the equity into which it converts. This may be due to the underlying equity trading above the effective conversion price, the occurrence of certain corporate or market events, limited availability of borrowable shares for hedging purposes, structural or regulatory issues and/or other factors. As a result, Hudson Bay Capital may enter into a long position in such convertible or equity-linked instrument and a short position in the underlying equity (and possibly incorporate other hedging methods). Such trades may provide a cash flow arbitrage opportunity, a synthetic put on the related equity or may be utilized as an equity substitution vehicle (unhedged or not fully hedged) in a directional trade.

Credit Directional Strategy

Corporate debt (including convertible securities since they inherently include a credit component) at times may prove to be an attractive investment opportunity on its own or relative to other parts of a company's capital structure or to credit default swaps representing that credit. The Capital Structure Fund may go long or short a credit instrument in reliance on the Capital Structure Fund's fundamental analysis of the issuer's credit.

Event Oriented Strategy

Corporate debt, as well as convertible and other equity-linked instruments, often are impacted by the occurrence of corporate events such as mergers, acquisitions, spinoffs, and other change of control events, repurchase plans, restructurings, impending maturities or put rights and the like. If Hudson Bay Capital identifies the potential for such an event to occur or not to occur and determines that an investment in the corporate debt or convertible instrument (hedged or unhedged) should provide an acceptable risk-return profile, such position may be included in the Capital Structure Fund's portfolio.

Structure Oriented Strategy

The documents governing credit instruments (including convertible securities) in which the Capital Structure Fund may invest vary among issuers, as a result of factors such as the specific drafting, negotiation and/or marketing process for each instrument. A detailed analysis of the documentation for a particular instrument may lead to an understanding of certain rights or lack of rights attendant to such position that Hudson Bay Capital may believe have not been reflected in the market price for an instrument. Hudson Bay Capital may, on the basis of its analysis, enter into a long or short position (hedged or unhedged, as it deems appropriate). Such positions may relate to Hudson Bay Capital's analysis of change of control clauses, dividend and other dilution adjustments, covenants and other provisions. Hudson Bay Capital's structural analysis may result in Hudson Bay Capital's determining to avoid investing in certain securities, regardless of their potential attractiveness under other strategies.

Trading Oriented Strategy

The Capital Structure Fund may hold positions, long or short, hedged or unhedged, that are based on a perceived short-term market opportunity. Such positions may be created in an effort to capitalize on the volatility arising from new issues of securities or in cases of supply-demand imbalances related to, for example, news events, market events or block positions entering the market.

Volatility Oriented Strategy

By technical definition, convertible, exchangeable or other equity-linked instruments (whether or not hedged) may offer the opportunity to go long or short the volatility of the underlying equity security. The Capital Structure Fund may hold such positions when Hudson Bay Capital believes that the implied volatility is mispriced relative to market

measures of volatility (including historical volatility) or other methods of measuring and trading volatility.

Non-Market, Liability Management and Direct Transactions

The Capital Structure Fund, either independently or in conjunction with other convertible security holders, will from time to time engage in bi-lateral negotiations with corporate issuers or their representatives. These negotiations are designed to consider transactions, such as exchanges, one-time payments, conversion rate adjustments and other possible arrangements that provide economic or other benefits to both the issuers and holders, and the Capital Structure Fund will participate in these transactions should acceptable terms be reached.

Capital Structure Arbitrage and Other Credit-Related Strategies

The Capital Structure Fund will utilize capital structure arbitrage strategies. Capital-structure arbitrage involves buying “long” and selling “short” different classes of securities of the same issuer in anticipation of profiting from a relative mispricing among them.

Other credit-related strategies take various different forms, including (but not limited to) buying and selling different credit-sensitive instruments relating to one issuer, selling “short” bonds of an issuer subject to potential credit deterioration, and buying distressed and high-yield securities offering favorable return profiles.

Equity Directional Strategy

A convertible or exchangeable security or other equity-linked instrument may serve as a proxy for investing in the company’s underlying equity and may be invested in solely for that purpose either without a hedge or from time to time in a relative value strategy that may be hedged only partially, or hedged to a lesser or greater extent than the Capital Structure Fund ordinarily would effect, to express a fundamental valuation opinion on the market price of the equity relative to Hudson Bay Capital’s belief as to its potential fair value. The Capital Structure Fund does not anticipate that this strategy will constitute one of its more frequently-utilized strategies.

Combination Strategies

Hudson Bay Capital frequently finds that an investment opportunity can involve the combination of more than one of the above strategies.

Future Strategies and As-Yet Unclassified Strategies

The markets in which the Capital Structure Fund trades and the instruments traded by the Capital Structure Fund evolve and new products and methods of trading develop on an ongoing basis as a result of market conditions and events and also innovation on the part of Hudson Bay Capital and other market participants. It is likely that, at any given time, a single investment or many investments of the Capital Structure Fund will not fit within

the categories above.

Trading Vehicles

Although the Capital Structure Fund currently implements its own investing and trading strategies directly, the Capital Structure Fund may also invest through a variety of Trading Vehicles, including one or more other funds managed by Hudson Bay Capital or an affiliate.

Trading Subsidiaries

The Capital Structure Fund may effect one or more of the foregoing strategies either directly by purchasing securities or indirectly, for tax, regulatory or other reasons, by investing through one or more trading subsidiaries organized by Hudson Bay Capital.

Material Risks

Investing in securities involves risk of loss that Clients and Capital Structure Fund investors should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Capital Structure Fund's investments. This summary does not attempt to describe all of the risks associated with an investment in the Capital Structure Fund. Although no summary can fully describe all of the risks associated with such an investment, the Capital Structure Fund's PPM contains a more complete description of the risks associated with an investment in the Capital Structure Fund.

Risk management is a key part of Hudson Bay Capital's investment process. Hudson Bay Capital attempts to monitor the risk parameters of the Capital Structure Fund's overall portfolio, as well as the concentration of the portfolio in any particular investment asset, strategy or market. Although Hudson Bay Capital attempts to mitigate risk by hedging at the position, strategy and/or portfolio level, such attempts may not be effective and hedging strategies themselves could add additional risks. Hudson Bay Capital generally does not attempt to hedge all market or other risks inherent in the Capital Structure Fund's portfolio, and hedges certain risks, if at all, only partially.

General Risks

Investment and Trading Risks in General

All investments made by the Capital Structure Fund risk the loss of capital. No guarantee or representation is made that the Capital Structure Fund's program will be successful, and investment results may vary substantially over time. The past performance of speculative trading strategies such as those to be implemented by the Capital Structure Fund or Hudson Bay Capital is not necessarily indicative of their future results.

Leverage Risk

The use of leverage is integral to the Capital Structure Fund's strategy, and the Capital Structure Fund's performance depends on the availability of credit in order to finance its portfolio. The Capital Structure Fund borrows funds from brokers, banks and other lenders; purchases securities on margin; and uses various derivatives. There are no limitations on Hudson Bay Capital's ability to cause the Capital Structure Fund to use any form of leverage in its portfolio. The use of leverage will magnify the volatility of changes in the value of the Capital Structure Fund's portfolio and can, in certain circumstances, increase the losses to which the Capital Structure Fund's investment portfolio may be subject.

Volatility Risk

The prices of instruments traded by the Capital Structure Fund have been subject to periods of excessive volatility in the past, and such periods may recur. While volatility can create profit opportunities for the Capital Structure Fund, it also can create the specific risk that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur losses. On the other hand, the lack of volatility can also result in losses for certain of the Capital Structure Fund's strategies that profit from price movements.

Risk of Changing Market Conditions

While it is possible for the Capital Structure Fund's current and potential strategies to be profitable during both upward and downward market cycles, there are certain market conditions in which different strategies have a materially reduced likelihood of success. For example, a decline in the corporate issuance of equity-linked securities (*e.g.*, convertible bonds) or continued low volatility and tight credit spreads could materially reduce the Capital Structure Fund's profit potential.

Risk of Stagnant Markets

Although volatility is one indication of market risk, certain of the Capital Structure Fund's investment strategies rely for their profitability on market volatility contributing to the mispricings that the strategies are designed to identify. Option values increase in direct (although non-linear) correlation to increases in market volatility, so that strategies that are "long volatility" typically are unprofitable in stagnant markets. In periods of trendless, stagnant markets and/or deflation, alternative investment strategies have materially diminished prospects for profitability.

Liquidity Risk

Certain of the Capital Structure Fund's investment positions may be illiquid in the ordinary course of business, as well as experience periods of illiquidity despite generally being liquid. Lack of liquidity can make it economically unfeasible for the Capital Structure Fund to recognize profits on open positions or to close out open positions against which the market is moving and could also adversely affect the Capital Structure

Fund's ability to rebalance its portfolios. Illiquidity can also disconnect market values from the historical pricing indicators used in Hudson Bay Capital's investment analysis.

Fraud

Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty or an issuer. Such inaccuracy or incompleteness, among other things, may adversely affect the valuation of the collateral underlying an investment or cause funds to be misappropriated. Hudson Bay Capital relies upon the accuracy and completeness of representations made by counterparties and issuers to the extent that it deems such representations to be reasonable, but cannot guarantee such accuracy or completeness.

Cybersecurity Risk

Hudson Bay Capital processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Capital Strategy Fund and personally identifiable information of the investors. Similarly, service providers of Hudson Bay Capital and/or the Capital Structure Fund, especially the administrator, may process, store and transmit such information. Hudson Bay Capital 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. Hudson Bay Capital's systems or facilities may be susceptible to employee error or malfeasance, government surveillance and/or other security threats. Breach of Hudson Bay Capital's information systems may cause information relating to the transactions of the Capital Structure Fund and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed. The service providers of Hudson Bay Capital and the Capital Structure Fund are subject to the same electronic information security threats as Hudson Bay Capital.

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

Custody Risk

The assets of the Capital Structure Fund are generally held in accounts maintained for it by its banks, prime brokers or in accounts with other market participants. Such accounts are generally not segregated and the assets therein are not titled in the name of the Capital Structure Fund. Therefore, in addition, because the Capital Structure Fund's securities are generally held in margin accounts, and the prime brokers have the ability to loan those securities to other persons, the Capital Structure Fund's ability to recover all of its assets in the context of its bankruptcy or other failure will be further limited. If the banks or

brokerage firms selected to act as custodians become insolvent, the Capital Structure Fund may lose all or a portion of the funds or securities held by those custodians.

“Master-Feeder” Structure

The Capital Structure Fund operates in a “master-feeder” structure. Currently, only the Capital Structure Feeder Fund will invest in the Capital Structure Master Fund. In the future, other feeder funds may be established that have different terms than those with respect to the Capital Structure Feeder Fund. The master-feeder fund structure—in particular the existence of multiple feeder funds investing in the same master fund—presents certain unique risks to investors. Smaller feeder funds investing in the master fund may be materially affected by the actions of larger feeder funds investing in the master fund. For example, if a larger feeder fund redeems from the master fund, the remaining feeder funds may experience higher *pro rata* operating expenses, thereby producing lower returns. The master fund may become less diverse due to a redemption by a larger feeder fund, resulting in increased portfolio risk. The master fund is a single entity and creditors of the master fund may enforce claims against all assets of the master fund.

Strategy Risks

Relative Value Strategies

The success of the Capital Structure Fund’s relative value trading is dependent on Hudson Bay Capital’s ability to exploit relative mispricings among interrelated instruments. Mispricings, even if correctly identified, may not converge within the time frame within which the Capital Structure Fund maintains its positions. The Capital Structure Fund’s relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of the Capital Structure Fund’s or third-party valuation models. Market disruptions may also force the Capital Structure Fund to close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing relative value strategies. Even if the Capital Structure Fund’s relative value investment strategies are successful, they may result in high portfolio turnover and, consequently, high transaction costs.

A major component of relative value trading involves spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss may occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably and, due to the leveraged nature of the Capital Structure Fund’s trading, result in increased losses.

Changes in the shape of the yield curve can cause significant changes in the profitability of relative value strategies. In the event of an inversion of the yield curve, the reversal of the interest differential between investments of different maturities can make previously profitable hedging techniques unprofitable.

Convertible Arbitrage Strategies

The success of the Capital Structure Fund's convertible arbitrage strategy depends upon Hudson Bay Capital'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 Hudson Bay Capital 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.

Risks that can affect the results of convertible arbitrage include, but are not limited to, the following: (i) in positions where the credit exposure is not hedged, deterioration in the perceived credit-worthiness of an issuer will likely result in losses; (ii) the valuation process involves the estimation of various variables, such as the volatility of the underlying stock and the issuer's dividend policy, which may realize substantially different values from Hudson Bay Capital's estimates; (iii) even if all inputs are estimated correctly, a convertible may take years to converge to theoretical value, and in the meantime may diverge further, causing losses; (iv) the market for convertibles is generally less liquid, with higher bid-ask spreads, than the market for equities, a phenomenon which is particularly exacerbated during times of stress; (v) the strategy is subject to all the risks involved in selling equities short, including the risk of increasing borrowing costs or buy-ins, either of which can cause substantial losses; and (vi) corporate actions, such as mergers, acquisitions, spin-offs, and special dividends, can have a significant effect on the returns of a given position, both positive and negative.

Market Neutral and Hedged Strategies

Although Hudson Bay Capital may invest in positions that are intended to be market neutral, it may be unable to, or decide not to, hedge its positions, and, in such event, the Capital Structure Fund might sustain a significant risk of loss as a result of changes in the price of unhedged positions. In addition, there is no guarantee that the returns of the Capital Structure Fund will continue to have a low correlation or be non-correlated with market indices, and the Capital Structure Fund could experience significant losses.

The Capital Structure Fund also may utilize financial instruments such as commodity interests, forward contracts and interest rate swaps, caps and floors both for investment purposes and to seek to hedge against fluctuations in the relative values of the Capital Structure Fund's portfolio positions. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if

the value of the portfolio positions should increase. Moreover, it may not be possible for the Capital Structure Fund to enter into a hedging transaction at an acceptable price or at a price sufficient to protect the Capital Structure Fund from the anticipated decline in value of the portfolio position.

Directional Trading

Certain of the positions taken by the Capital Structure Fund may be directional (*i.e.*, designed to profit from forecasting absolute price movements in a particular instrument) and certain of the relative value and event-driven investment strategies used by the Capital Structure Fund may have inherently directional characteristics. Directional investing is subject to all the risks inherent in incorrectly predicting future price movements. Often these price movements will be determined by unanticipated factors, and even if the determining factors are correctly identified, Hudson Bay Capital's analysis of those factors may prove inaccurate, in each case potentially leading to substantial losses. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

Risks Related to Certain Instruments Traded

Equity Securities

The investment portfolio of the Capital Structure Fund includes positions in common stocks, preferred stocks and convertible securities principally of U.S. issuers and non-U.S. issuers. The Capital Structure Fund also invests in depositary receipts relating to non-U.S. securities. The equity securities held by the Capital Structure Fund may be acquired pursuant to exchange trades, from dealers in over-the-counter transactions and pursuant to direct transactions. Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous political, climate-related and other factors, influence the cost of equities; there can be no assurance that Hudson Bay Capital will be able to predict future price levels correctly.

Debt Securities

Debt securities in which the Capital Structure Fund may invest may be subject to price volatility due to various factors, including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market conditions. In addition to "high investment grade" debt securities, the Capital Structure Fund invests in "low investment grade" or "non-investment grade" debt securities, which are typically subject to greater market fluctuations and risks of loss both in respect of income and principal than lower yielding, investment grade securities. The prices of the "low investment grade" or "non-investment grade" debt securities acquired by the Capital Structure Fund are often influenced by many of the same unpredictable factors which affect equity prices.

Certain of Hudson Bay Capital's strategies invest in hybrid debt arrangements, which are

subject to risks in addition to overall interest-rate movements and the issuers' ability to pay the debt in accordance with its terms. For example, were the Capital Strategy Fund to invest in syndicated debt such as loan participations, it would be subject to certain additional risks as a result of having no direct contractual relationship with the borrower of the underlying loan. In such circumstances, the Capital Strategy Fund generally depends on the lender to enforce its rights and obligations under the loan arrangements in the event of a default by the borrower on the underlying loan and will generally have no voting rights with respect to the issuer, as such rights are typically retained by the lender. Such investments are subject to the credit risk of the lender (as well as the borrower) since they will depend upon the lender forwarding payments of principal and interest received on the underlying loan. There can be no assurance that the lender will not default on its obligations under such arrangements, resulting in substantial losses to the Capital Structure Fund.

Convertible Securities

The Capital Structure Fund invests in convertible securities that it may acquire in the open market or directly from issuers, their affiliates and others. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A contingent convertible security (known as "Co-Cos") is a hybrid security that is only convertible under certain conditions (for example, the right to convert can only be exercised if the price of the underlying stock is a certain percentage over the conversion price). A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Capital Structure Fund is called for redemption, the Capital Structure Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Furthermore, an issuer could refuse to permit the Capital Structure Fund to convert the convertible security into the underlying common stock, despite its obligation to do so. Any of these actions could have an adverse effect on the Capital Structure Fund's ability to achieve its investment

objective.

Direct Investments in Public Companies

The Capital Structure Fund may invest directly in the equity securities of public companies, which securities may be illiquid and/or restricted (such as PIPEs), as well as in convertible securities and warrants which may be restricted and/or illiquid even if the underlying equity is freely tradeable. There is often no trading market for these investments, and the Capital Structure Fund may only be able to liquidate these positions, if at all, at disadvantageous prices. The Capital Structure Fund may be required to hold such investments despite adverse price movements and may be restricted from hedging its exposure to them and, even if the Capital Structure Fund is not restricted from hedging, the Capital Structure Fund may choose not to hedge such exposure or such hedge may not be effective. If the Capital Structure Fund makes a short sale of an illiquid holding, the Capital Structure Fund may have difficulty in covering the short sale, resulting in a potentially unlimited loss to the Capital Structure Fund.

Unlike the purchase of freely tradeable common stock in the open market, the Capital Structure Fund's unregistered (or restricted) securities of public companies (including instruments that are convertible, exchangeable or exercisable into registered, freely tradeable securities of public companies) generally involve contractual obligations by the issuer of such securities requiring the issuer to take certain actions, including but not limited to registering the securities, transferring securities upon resale or, in the case of convertible securities, issuing the underlying securities upon exercise of convertible securities and registering the underlying securities with the appropriate federal and state authorities for resale. In order for the Capital Structure Fund's investment strategy to be effective, the issuer of such securities must abide by its contractual obligations; otherwise, the Capital Structure Fund may lose all or a portion of its investment.

In connection with its sales of securities purchased pursuant to Regulation D or otherwise exempt from registration, the Capital Structure Fund could be deemed to be a "statutory underwriters" based on the method and timing of such sales. If the Capital Structure Fund were deemed to be a "statutory underwriter," it could have an adverse effect on the transaction(s) in respect of which such determination is made and, possibly, on the Capital Structure Fund's ability to continue to effectively pursue this investment strategy.

The Capital Structure Fund relies on certain exemptions from the SEC's registration requirements to sell its restricted securities, including Rule 144 of the Securities Act. Under Rule 144, before selling any restricted securities, the Capital Strategy Fund may be obligated to hold them for at least six months provided that the issuer is subject to, and has complied with, the reporting requirements of the Securities Act. If the issuer is not subject to the reporting requirements of the Securities Act, then the Capital Strategy Fund may be required to hold the restricted securities for at least one year before they can be sold in the market. There may be circumstances where restricted securities will never become freely tradeable (*i.e.*, if the issuer was a "shell" company and is not complying with the reporting requirements). The law regarding the resale of restricted securities can change, and in the past has changed. There can be no assurance that future changes will

not adversely affect the Capital Structure Fund's ability to resell its restricted securities.

The Capital Structure fund may purchase securities alongside other third party investors, and may coordinate efforts with such third parties in negotiating the terms of such securities. Although the Capital Structure Fund will generally take actions designed to prevent them from being deemed a member of a "group" with such other investors for purposes of Sections 13 and 16 of the Exchange Act), and related provisions, there is no guarantee that a regulatory body will not deem the parties negotiating such terms to constitute a "group." In the event that the Capital Structure Fund's conduct in these situations gives rise to such "group" status, they may be deemed to beneficially own all equity securities of the issuer beneficially owned by the other group members. Such beneficial ownership may, in turn, trigger certain regulatory filings and may cause the Capital Structure Fund to be deemed an "affiliate" of the issuer pursuant to Rule 144 of the Securities Act, which, as described above, would subject the Capital Structure Fund to, among other things, certain limitations on the amount of securities it can sell in such issuer's securities. In situations where the Capital Structure Fund does not deem itself to be a member of a "group," but a regulator takes a different view, it could lead to regulatory action against the Capital Structure Fund for violation of the applicable provisions of the Exchange Act.

The Capital Structure Fund's investments in unregistered (or restricted) securities of public companies (including instruments that are convertible or exercisable into unregistered (or restricted) securities of public companies) may be difficult to value accurately. In light of the foregoing, there is a risk that an investor who redeems all or part of its investment while the Capital Structure Fund holds such investments will be paid an amount less than it would otherwise be paid if the actual value of such investments is higher than the value designated by the Capital Structure Fund. Conversely, there is a risk that an investor who redeems all or part of its investment while the Capital Structure Fund holds such investments will be paid an amount more than it would otherwise be paid if the actual value of such investments is lower than the value designated by the Capital Structure Fund, to the detriment of the other investors.

The securities laws and regulations governing investing in investments obtained directly from public companies (such as PIPES) and hedging transactions related thereto are complex and difficult to implement and monitor. In many cases, there is no clear regulatory guidance on the interpretation and application of these laws and regulations. While Hudson Bay Capital and the Capital Structure Fund consult with competent counsel on these issues, the nature of these laws and regulations are that they are subject to interpretation and re-interpretation, as well as application in manners unanticipated or expected, which could expose the Capital Structure Fund, Hudson Bay Capital and their respective affiliates to liability with respect to such transactions.

Derivative Securities

Derivative instruments, or "derivatives," include instruments and contracts that are derived from and are valued in relation to one or more underlying assets, benchmarks or indices. A derivative is a product that allows an investor to hedge or speculate upon the

price movements of a particular asset, financial benchmark or index that could be a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative is linked to the price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset also may be applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearing through a U.S. clearinghouse while other derivatives are subject to risks of trading in the over-the-counter markets, and others are subject to non-U.S. regulatory regimes. Price movements of futures and options contracts and payments pursuant to derivative agreements are influenced by, among other things, the longevity of the contract, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and derivative agreements also depends upon the price of the assets that are underlying them. In addition, the Capital Structure Fund's assets are also subject to the risk of the failure of any of the clearinghouses or counterparties.

Options

The Capital Structure Fund may write (*i.e.*, sell) and purchase put and call options. Sales of options where the Capital Structure Fund does not own the underlying asset to which the option is referenced can involve theoretically unlimited risk.

The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) may hedge its long position in the underlying security by earning premium upon the sale of the option. In exchange for the premium, the seller assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security (to the extent the decline exceeds the premium received), and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) may hedge its short position in the underlying security by earning premium upon the sale of the option. In exchange for the premium, the seller assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security (to the extent the increase exceeds the premium received), and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Volatility is a principal component of options pricing. If the volatility in the market for the asset underlying the options held or sold by the Capital Structure Fund changes materially, the Capital Structure Fund directly could incur substantial losses even if the options in question would have generated substantial profits if the current price levels had been in effect at expiration.

Credit Default Swaps

The Capital Structure Fund purchases and sells credit derivatives contracts (primarily credit default swaps). Credit default swaps can be used to implement Hudson Bay Capital's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Capital Structure Fund may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Capital Structure Fund to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Capital Structure fund may also buy credit default protection with respect to a referenced entity if, in the judgment of Hudson Bay Capital, there is a likelihood of credit deterioration. In such instance, the Capital Structure Fund will pay a premium regardless of whether there is a credit event. As a buyer of credit default swaps, in circumstances in which the Capital Structure Fund does not own the debt securities that are deliverable under a credit default swap, the Capital Structure Fund is exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will not be successful. In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. The creation of the Determination Committee is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determinations Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Capital Structure Fund would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Capital Structure Fund incurs leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Capital Structure Fund will not have any legal recourse against the reference entity and may not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer may have broad discretion to select which of the reference entity's debt obligations to deliver to the Capital Structure Fund following a credit event and may choose the obligations with the lowest market value in order to maximize the payment obligations of the Capital Structure Fund.

In addition, credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions. The credit

default market may become subject to increased regulation, which could increase costs or even prevent participation by the Capital Structure Fund.

Risks Related to Certain Trading and Investing Techniques and Methodologies

Model Risk

The Capital Structure Fund may require the use of quantitative valuation models that Hudson Bay Capital has developed over time, as well as valuation models developed by third parties. As market dynamics shift over time, a previously highly successful model often becomes outdated or inaccurate, perhaps without Hudson Bay Capital recognizing that fact before substantial losses are incurred. There can be no assurance that Hudson Bay Capital will be successful in continuing to develop and maintain effective quantitative models. Models are subject to limitations, including, but not limited to, those caused by incorrect or unrealistic assumptions, computer herding, inapplicability of historical data, omission of key data, erroneous code, oversimplification and underpricing risk.

Model risk extends to the valuation of less liquid investments to the extent they are made on the basis of models, taking into account market inputs, where available, and the results of any valuation analyses of independent valuation consultants (including a valuation agent), in the absence of any readily-determinable market values. The valuations so determined may differ materially from the value ultimately realized upon the liquidation of such investment.

Operational Risk

The Capital Structure Fund depends on Hudson Bay Capital to develop appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or potential disruption of the Capital Structure Fund's operations. The Capital Structure Fund's business is dynamic and complex. As a result, certain operational risks are intrinsic to the Capital Structure Fund's operations, especially given the volume, diversity and complexity of transactions that the Capital Structure Fund is expected to enter into daily. The Capital Structure Fund must be able to process, on a daily basis, transactions across numerous and diverse markets. Consequently, the Capital Structure Fund relies heavily on the financial, accounting and other data processing systems of Hudson Bay Capital and the administrator. The ability of these systems to accommodate an increasing volume, diversity and complexity of transactions could also constrain the ability of the Capital Structure Fund to properly manage its portfolio. Systemic failures in the systems employed by the Capital Structure Fund, Hudson Bay Capital, prime brokers, the administrator and/or counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions in the Capital Structure Fund's operations may cause Hudson Bay Capital and the Capital Structure Fund to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage.

Short Sales Risk

The Capital Structure Fund's investment strategies require routine "short sales." A short sale involves the sale of a security that the Capital Structure Fund does not own in order to hedge related risks. To make delivery to the buyer, the Capital Structure Fund generally must borrow the security, and the Capital Structure Fund is obligated to pay the lender of the security a stock borrow fee as well as any dividend or interest payable on the security until it returns the security to the lender. 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 the cost to the Capital Structure Fund of buying those securities to cover the short position. There can be no assurance that the Capital Structure Fund will be able to maintain its ability to borrow securities sold short. In such cases, the Capital Structure Fund could 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 the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Hedging Risk

While the Capital Structure Fund may enter into hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk, thereby incurring losses to the Capital Structure Fund. In addition, such hedging transactions may result in a poorer overall performance for the Capital Structure Fund than if it had not engaged in any such hedging transactions. Hedging strategies themselves are subject to both significant transaction costs, as well as to path-dependent outcomes determined upon when hedging positions are applied, increased, reduced or eliminated and the correlation between such hedging positions and the directional positions that they are intended to hedge. Moreover, (i) Hudson Bay Capital does not, in general, attempt to hedge all market or other risks inherent in the Capital Structure Fund's portfolio, hedges certain risks only partially, if at all, and may not anticipate certain risks; and (ii) the Capital Structure Fund's portfolio will always be exposed to certain risks that cannot be hedged.

Non-U.S. Securities and Emerging Markets

The Capital Structure Fund trades and invests in securities of companies domiciled or operating in one or more non-U.S. countries and makes other investments in entities located outside the United States, including in countries that are considered to be "emerging markets." Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some non-U.S. governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, more limited disclosure and access to information from issuers than is customary in the United States, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations.

The application of non-U.S. tax laws (*e.g.*, the imposition of withholding taxes on dividend or interest payments, income taxes and excise taxes) or confiscatory taxation, as well as various other laws and regulations, including anti-money laundering laws, may also affect the Capital Structure Fund's investment in non-U.S. securities and its other investments in entities located outside the United States. The Fund may incur higher expenses from investment in non-U.S. securities and outside the United States, in particular, in emerging markets, than from investment in U.S. securities and in non-emerging markets because of the costs that must be incurred in connection with conversions between various currencies and because non-U.S. brokerage commissions may be higher than commissions in the United States. Non-U.S. markets also may be less liquid, more volatile and subject to less stringent governmental supervision than in the United States. The Capital Structure Fund's investments in non-U.S. countries could be adversely affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations and in hedging market risk.

Valuation Risk; Use of Estimates

Valuation agents value the Capital Structure Fund's positions using the methodologies set forth in the Capital Structure Fund's PPM and the administrator calculates the net asset value of the Capital Structure Fund based on pricing information gathered. Such valuations will affect the Capital Structure Management Fee and the Capital Structure Incentive Fee received by Hudson Bay Capital and its affiliates.

The values of the Capital Structure Fund's positions are based, to the extent possible, on independent third-party pricing sources, which may include quotes provided by brokers and dealers and valuation agents. However, it is not unusual for the prices quoted by dealers for informational purposes to materially differ from the prices at which the same dealers are willing to actually enter into transactions. This discrepancy can cause unexpected net asset value declines if the Capital Structure Fund is required to sell a position which it had been valuing based upon dealers' marks. Moreover, certain valuations cannot be made on the basis of third-party pricing sources. The fair market value of those investments of the Capital Structure Fund for which a reliable third-party quote is not available is based on other relevant sources deemed reliable by a valuation agent and other third-party valuation agents as well as Hudson Bay Capital, in their good faith judgment. To the extent that there is a pricing uncertainty beyond acceptable tolerances, the final authority ultimately rests with Hudson Bay Capital to resolve such uncertainty. Hudson Bay Capital will not bear any liability if a price, reasonably believed by it to be an accurate valuation of a particular direct or indirect investment of the Capital Structure Fund, is subsequently found to be inaccurate.

The Corporate Value Fund

Methods of Analysis, Investment Strategies and Risk of Loss

The Corporate Value Fund's strategy is focused on identifying and investing in the securities of companies (as previously defined, "Targets") that are targets of buyouts or

merger transactions (whether announced or unannounced) (as previously defined, “Corporate Events”), in situations in which either (i) the price at which shares eligible for an appraisal can be acquired by the Corporate Value Fund in the market or (ii) Hudson Bay Capital’s analysis indicates that the Transaction Price agreed to between the Target and the Acquiror, is below the Fair Value that Hudson Bay Capital believes is likely to be determined in an Appraisal Proceeding.

The Corporate Value Fund will generally not invest in Corporate Events that have not yet been publicly announced. However, even in the case of a publicly announced Corporate Event, there can be substantial uncertainty as to whether and under what terms such Corporate Event will be consummated.

After an investment in a Corporate Event (a “Corporate Event Investment”) has been identified and a position established, Hudson Bay Capital may seek to “perfect” the Corporate Value Fund’s right to be granted an appraisal of its shares in the Target. Hudson Bay Capital will base its determination of which Targets to select on Hudson Bay Capital’s analysis of its legal rights, as well as the economic fundamentals underlying each such Target as compared to the proposed Transaction Price.

Once a Corporate Event is consummated, Hudson Bay Capital may: (i) file an appraisal petition (an “Appraisal Petition”) in court on behalf of the Corporate Value Fund to begin the appraisal process in an attempt to obtain the Fair Value of the Target’s securities as opposed to the Transaction Price; or (ii) elect not to file, but nevertheless to “perfect” its claim to become entitled to receive the Fair Value obtained by the lead plaintiff in an Appraisal Proceeding. The process of resolving an appraisal demand (as previously defined, an “Appraisal Proceeding”) takes an unpredictable amount of time — often as long as several years. Hudson Bay Capital may, in certain situations, attempt to agree upon a payment for the Corporate Value Fund’s holdings in the Target with the Acquiror and settle the Corporate Value Fund’s interest in the Appraisal Proceeding. The Acquiror may also prepay the Transaction Price for all or part of the Target’s shares so that interest at the statutory rate only accrues on the shortfall, if any, ultimately determined between the Transaction Price and the Fair Value. The Corporate Value Fund also may acquire perfected appraisal rights from third parties (collectively, “Third-Party Appraisal Rights”).

Hudson Bay Capital may cause the Corporate Value Fund to invest in any Corporate Event in which Hudson Bay Capital believes that it is able to identify a sufficient shortfall between the Transaction Price and Fair Value, irrespective of diversification considerations. Similarly, although Hudson Bay Capital anticipates that most of the Appraisal Proceedings the Corporate Value Fund will bring will be in Delaware, the Corporate Value Fund is not restricted as to the jurisdiction in which it may bring an Appraisal Proceeding, and may make substantial investments in Appraisal Proceedings in jurisdictions (including non-U.S. jurisdictions) in which the applicable Law is not as well settled (or not as favorable to the Corporate Value Fund) as it is in Delaware.

The duration of the Corporate Value Fund’s different Corporate Event Investments is expected to be both variable and unpredictable. Hudson Bay Capital anticipates that

Investments will be held for between several months to several years (depending, to some extent, on whether the Appraisal Proceeding is resolved in court or by settlement with the Acquiror).

Hudson Bay Capital may from time to time negotiate to settle an Appraisal Proceeding before it is finally adjudicated.

In certain circumstances, under Delaware Law the Acquiror may exercise the option to prepay all or certain portions of the Corporate Value Fund's Investment at the Transaction Price after the Appraisal Proceeding commences, but prior to its resolution (a "Prepayment Option Amount"), in order to limit the statutory interest to the positive difference between the Fair Value and the Transaction Price (rather than the full Fair Value). Such right of the Acquiror to make a Prepayment Option Amount payment may or may not be available to Acquirors with respect to Appraisal Proceedings not brought in Delaware.

The Corporate Value Fund will only use leverage when it acquires an Investment with the consent of the Institutional Investor. However, even if the Corporate Value Fund does not use leverage to acquire an Investment, the Corporate Value Fund will have margin accounts in order to facilitate its hedging activities. The Corporate Value Fund may take outright, unhedged positions or may engage in hedging transactions in the course of implementing the Strategy.

No Formal Diversification Policies

Hudson Bay Capital expects that the Corporate Value Fund will participate in a number of different Corporate Event Investments (although it is impossible to predict the timing or the number of such Investments). Other than the limitation that the Corporate Value Fund will not invest more than 25% of the capital commitments in any one Corporate Event Investment without the prior consent of the Institutional Investor, the Corporate Value Fund will not follow any formal diversification policies, and — particularly given the unpredictability of when or in what market sector or Target/Acquiror capitalization ranges attractive Corporate Event Investments may arise — the Investments in which the Corporate Value Fund invests may be concentrated in one or a limited number of issuers, market sectors, industries and/or Target/Acquiror capitalization ranges.

Co-Investments

The Corporate Value Fund, together with Other Accounts or the investors therein, may participate in a number of "Co-Investments" in which third parties (and/or Partners wishing to increase their exposure to the Investment in question in addition to their indirect exposure through the Corporate Value Fund, collectively, "Co-Investors") also invest. However, there is no guarantee that limited partners in the Corporate Value Fund will be offered an opportunity to make one or more such Co-Investments. The terms on which Co-Investors participate in Co-Investments will be negotiated at the time and may be materially different from the terms of other Co-Investments as well as from those applicable to the Corporate Value Fund.

Co-Investments will generally be in Corporate Events that Hudson Bay Capital determines cannot, or should not, be made solely by the Corporate Value Fund.

Material Risks

Investing in securities involves risk of loss that Clients and Corporate Value Fund investors should be prepared to bear. The following is a summary of some of the material risks associated with the Corporate Value Fund's strategy (the "Strategy"). This summary does not attempt to describe all of the risks associated with an investment in the Corporate Value Fund. Although no summary can fully describe all of the risks associated with such an investment, the Corporate Value Fund's PPM contains a more complete description of the risks associated with an investment in the Corporate Value Fund.

General Risks

Risk of Loss

An investment in the Corporate Value Fund involves a high degree of risk. Interests in the Corporate Value Fund are speculative and highly illiquid securities (no withdrawals are permitted, and no Distributions are likely to be made for a number of years). The Corporate Value Fund may incur substantial or even total losses. Moreover, investors could be required to continue to make capital contributions pursuant to their respective capital commitments despite it having become clear that the Corporate Value Fund will not achieve any or all of its investment objectives.

Reliance on Corporate Management and Financial Reporting/Fraud

Hudson Bay Capital will rely, in substantial part, on the financial information made publicly available by the Acquirors/Targets involved in Corporate Events in implementing the Strategy. Hudson Bay Capital will use this information in an attempt to determine whether Hudson Bay Capital's assessment of whether the Fair Value of the Target stock exceeds the Transaction Price and by a sufficient amount — and with a sufficient likelihood of maintaining an Appraisal Proceeding — to justify making a given Corporate Event Investment. Hudson Bay Capital's hedging of the Corporate Value Fund's positions in a transaction prior to its consummation (if any) will also necessarily be based on such financial information. The possibility of material misrepresentations and/or omissions (whether intentional, negligent or inadvertent) on the part of an Acquiror/Target are a major concern in implementing the Strategy. Hudson Bay Capital will have no ability independently to verify the financial information disseminated by Acquirors/Targets and will be dependent upon the integrity of both the management of Acquirors/Targets and the financial reporting process in general in making Corporate Event Investments. Investors have incurred material losses in the past as a result of corporate mismanagement, fraud and accounting irregularities as well as of Corporate Event terms negotiated other than on a fully "arm's-length" basis. Given the "stressed" circumstances under which Corporate Events often transpire, the likelihood of inadequate public disclosures is increased.

Inherent Uncertainty of Appraisal Proceedings

The outcome of Appraisal Proceedings is fundamental to the Strategy, and these are outcomes that are inherently uncertain. Hudson Bay Capital could have successfully identified a Corporate Event in which the Transaction Price was materially below the Fair Value, but the Appraisal Proceeding resulted in a costly or failed outcome due to procedural impediments, the poor quality of the Corporate Value Fund's legal representation, judicial discretion and/or other factors. Even if Hudson Bay Capital's investment analysis of a transaction is accurate, this by no means assures the success of the Strategy in investing in such transaction, which is dependent on numerous factors which are not only unpredictable by, but also perhaps unknown to, Hudson Bay Capital. In addition, the expense of prosecuting claims, for which there is no guarantee of success, will be borne by the Corporate Value Fund and may, in certain circumstances, require Partners to return to the Corporate Value Fund capital and earnings previously distributed. In some instances, Hudson Bay Capital hopes to mitigate the costs of Appraisal Proceedings by hiring counsel on a contingency or hybrid basis and using in-house resources where possible; however, contingency or hybrid fee arrangements, while reducing the outlay for litigation fees, can materially reduce the potential earnings of the Corporate Value Fund and ultimately cost more than if the Corporate Value Fund paid traditional attorneys' and experts' fees. In addition to attorneys' fees, the Corporate Value Fund will bear the numerous costs of bringing and maintaining the litigation, including court costs, the expense of document production, the fees and reimbursements of experts and other related costs.

Investing in Corporate Events between Publicly-Traded Companies

Substantially all of the Investments will be made in the securities of Targets that are involved in Corporate Events. Such situations can attract an unusually high degree of regulatory scrutiny (including into whether certain participants made illegal use of material non-public information ("MNPI")), which can disrupt the progress, delay the timing and/or preclude the consummation of, any given Corporate Event. Hudson Bay Capital's role in causing the Corporate Value Fund to invest in a given Corporate Event may also be the subject of regulatory scrutiny, which could lead to adverse publicity and/or enforcement proceedings against both Hudson Bay Capital and the Corporate Value Fund itself.

Material Non-Public Information

Hudson Bay Capital is involved in a wide range of investment activities and, in the course of doing so, may come — whether purposely or inadvertently — into possession of MNPI. If so, until such time as such information is no longer "material" or has become public, Hudson Bay Capital will be prohibited from transacting in the securities of the issuer in question. Such prohibition might not only prevent the Corporate Value Fund from participating in an Investment that might otherwise have been highly profitable, but also prevent Hudson Bay Capital from implementing hedges or liquidating open positions with respect to an Investment to which the Corporate Value Fund is already committed, resulting not only in "lost profits" but material losses.

Conflicts of Interest

The Hudson Bay Parties provide investment management services to Other Accounts, which may have investment objectives, strategies and positions that are similar to or may conflict with those of the Corporate Value Fund, or may compete with or have interests adverse to the Corporate Value Fund. For example, the Multi-Strat Fund implements the Strategy as one of its various strategies. Such conflicts could affect the prices and availability of securities in which the Corporate Value Fund invests as well as its access to and the progress of Appraisal Proceedings.

Conflicts of interest arise when Hudson Bay Capital makes decisions on behalf of the Corporate Value Fund with respect to matters where the interests of Hudson Bay Capital or one or more Other Accounts differ from the interests of the Corporate Value Fund. It is possible, for example, that an Other Account could have materially different investment objectives from the Corporate Value Fund with respect to a given Corporate Event, creating a conflict of interest for Hudson Bay Capital in determining whether to accept the Transaction Price, file an Appraisal Proceeding, opt out of a filed Appraisal Proceeding and/or settle or otherwise participate in such Appraisal Proceeding (and at what price).

Hudson Bay Capital's participation in managing Other Accounts may from time to time cause Hudson Bay Capital to be restricted (due to the receipt of MNPI or other reasons) from participating in certain Corporate Event Investments. Any such restriction would also apply to the Corporate Value Fund and could be particularly adverse to the prospects of the Corporate Value Fund due to the limited number of Corporate Event Investments available in the market as well as the possibility that Hudson Bay Capital would be prevented from acquiring or liquidating securities of the Acquiror/Target.

Senior Hudson Bay Capital personnel have numerous corporate and financial industry contacts and relationships. In certain cases, Hudson Bay Capital may determine not to make a Corporate Event Investment which Hudson Bay Capital believes would otherwise be in the best interests of the Corporate Value Fund due to a desire not to interfere or disrupt such contacts or relationships, particularly given the adversarial nature of Appraisal Proceedings.

Market Risks

Inflation

The enormous amounts of financial assistance that governments and central banks made available since 2008 in an effort to resolve the massive interruptions in the global financial markets, as well as general economic difficulties, could eventually lead to material levels of inflation. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economics and securities markets of numerous economies — effects that could materially diminish both the number of Corporate Events and the profit potential for the Strategy with respect to those Corporate

Events that do occur. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on the Corporate Value Fund's returns.

Financing Arrangements; Availability of Credit

The Corporate Value Fund may, with the consent of the Institutional Investor, use leverage in acquiring certain of its Investments. Actions by U.S. and other regulatory authorities have resulted in a significant reduction of available credit. Hudson Bay Capital has no ability to control such actions, and any reduction in available credit could have a material adverse effect on the Corporate Value Fund. Not only does a restriction of available financing make it more difficult for the Corporate Value Fund to obtain leverage for its Investments (if applicable), but it is also likely to diminish the number of Corporate Events (since Acquirors generally require access to leverage in order to attempt to enter into Corporate Events). There have been sustained periods when a constriction of available financing has resulted in a virtual elimination of Corporate Events, and such periods are likely to recur. Even if financing is available, it may become inordinately expensive, adversely affecting both the Corporate Event environment and the Corporate Value Fund.

Market Illiquidity

Not only can market illiquidity make it difficult, or inordinately expensive, for the Corporate Value Fund to acquire a sufficiently large position in a Corporate Event to justify the risk, but also it can make the court's determination of Fair Value — as well as negotiations relating to Fair Value in settlement discussions — materially more difficult and uncertain. Market illiquidity may also make it impossible or extremely expensive for the Corporate Value Fund to hedge its exposure to a pending Corporate Event or to initiate or liquidate a position to participate in potential profits or limit losses, as the case may be. Moreover, if the Corporate Value Fund in fact participates in an Appraisal Proceeding, the Corporate Value Fund must wait until such Appraisal Proceeding is prepaid, settled or finally resolved in court (which could require a number of years) in order to liquidate its Investment.

"Risk of Ruin"

Alternative investment strategies (such as the Strategy) are subject to a "risk of ruin" (*i.e.*, the risk that a previously low volatility and comparatively low risk strategy will incur sudden, dramatic and even total losses) to which traditional strategies generally are not exposed. Traditional strategies generally are materially correlated with overall equity and debt market movements, and while the equity and debt markets may experience major corrections, they are unlikely to experience sudden, dramatic and certainly not total losses.

Strategy Risks

Limited Availability of Corporate Event Investments

As Corporate Events are generally transacted at a price agreed at arm's length between the Target and the Acquiror, the number of such Corporate Events in which Hudson Bay Capital identifies a material disparity between the Transaction Price and Fair Value may be few. Moreover, the competition for investing in such Corporate Events is intense. The Corporate Value Fund has a limited two-year commitment period. Depending on unpredictable market conditions, the Corporate Value Fund may be able to only make a strictly limited number of Investments. This limited time period, combined with the restriction that the Corporate Value Fund not invest more than 25% of the Capital Commitments in any given Corporate Event without the consent of the Institutional Investor, may result in Hudson Bay Capital not being able to invest all of the capital commitments.

Non-Consummation Risk

The Strategy — like many other “event driven” strategies — is subject to non-consummation risk. The Strategy will focus on investing in positions whose profitability depends on the acquisition of a Target and completion of the related Corporate Event on substantially the terms announced, thereby creating the potential for the disparity between the Transaction Price and Fair Value, which disparity is the driver of the Strategy. It is generally only after consummation that an Appraisal Proceeding can generate any meaningful profit potential. Corporate Events and their ultimate terms are affected by numerous factors, including not only market movements but also regulatory intervention, shareholder votes, changes in interest rates, management sentiment and economic outlook. If a contemplated Corporate Event to which the Corporate Value Fund has committed does not occur or occurs on substantially different terms from those anticipated, the Corporate Value Fund is likely to incur major losses. Not only will there be no related Appraisal Proceeding, but the value of the Target's stock acquired by the Corporate Value Fund in order to participate in the Appraisal Proceeding may decline materially, resulting in material losses despite Hudson Bay Capital's attempts to hedge this risk.

Corporate Events are often the subject of material regulatory scrutiny, due to anti-trust, minority shareholder protection and/or other considerations. Such scrutiny can delay or prevent the consummation of any given Corporate Event as well as cause material changes in its terms.

Appraisal Proceeding

The Strategy involves devoting considerable time and expense to pursuing Appraisal Proceedings, which are subject to all the vagaries, difficulties and expense of litigation. Even if a Corporate Event in which the Corporate Value Fund is invested is consummated, if the related Appraisal Proceeding is not favorably resolved, the Corporate Value Fund may incur significant losses as well as substantial fees and

expenses. The Corporate Value Fund will face the risk that the Appraisal Proceeding will undervalue a Target and its shares, with the resulting amount potentially: (i) being lower than the Transaction Price; or (ii) not significantly high enough to justify the risk of, and capital investment made in, the Investment.

Even if an Appraisal Proceeding is favorably resolved, the Corporate Value Fund will remain subject to the credit risk of the Acquiror/Target not being able to pay the Fair Value determined in such Appraisal Proceeding (especially if Hudson Bay Capital has caused the Corporate Value Fund not to incur the potentially material costs of hedging most or all of such credit risk).

Finally, the Corporate Value Fund may fail to “perfect” its claim properly in respect of an Appraisal Proceeding or even if properly “perfected,” a court or arbiter may find otherwise, resulting in losses for the Corporate Value Fund.

Determination of “Fair Value”

There is no uniform methodology for determining Fair Value. Furthermore, the inputs used by a court or other arbiter in determining Fair Value can be uncertain and vary materially over time, as well as being counter-intuitive and unexpected. For example: (i) in Delaware, the court is by Law required not to consider the post-consummation “synergies” and/or cost savings resulting from a Corporate Event in determining the Fair Value of the Target’s securities; and (ii) if the premium offered by an Acquiror materially exceeds the Target’s stock price when the Corporate Event is announced, the court may determine that the Fair Value of the Target is, in fact, substantially lower than the Transaction Price as the market price was indicative of Fair Value, whereas the Transaction Price was based on other considerations (perhaps including the post-consummation “synergies” which are precluded from being considered in the determination of Fair Value).

Adversarial Nature of Appraisal Proceedings

Appraisal Proceedings are premised on the thesis that the Transaction Price agreed between the Acquiror and the Target is materially less than Fair Value. This thesis inherently involves a number of adversarial factors — primarily the assertion that the price agreed between the Acquiror and the Target is below Fair Value, arguably due to a management conflict of interest or other motives other than acting in the best interests of investors. For these and other reasons, Appraisal Proceedings may attract substantial adverse publicity as well as management hostility, which may not be situations with which the Institutional Investor wishes to be involved or implicated. The Corporate Value Fund or the Institutional Investor could be deposed, or otherwise implicated, in an Appraisal Proceeding.

Risk of Recontributions

The Acquiror may make prepayments in the course of an Appraisal Proceeding in order to prevent additional interest from accruing. Hudson Bay Capital has an incentive to distribute such amounts rather than retain them in anticipation of an adverse finding

because of the need to satisfy the Preferred Return. It is also possible that, in the context of an Appraisal Proceeding that is not resolved in the favor of the Corporate Value Fund, certain amounts relating to an Appraisal Proceeding that had previously been distributed to limited partners by the Corporate Value Fund may be required to be returned to the Corporate Value Fund by the limited partner, in whole or in part (without reduction for any related taxes or accrual of any interest thereon).

Inability of Hudson Bay Capital to Control Corporate Event Outcomes

Numerous investors may invest in the same Corporate Event, and such investors, including Other Accounts, may have materially different cost bases as well as return objectives in such investment than does the Corporate Value Fund. The “adjacency risk” of different investors in the same Corporate Event could materially impede Hudson Bay Capital achieving its objectives for the Corporate Value Fund. For example, different investors may differ on what they perceive to be a favorable outcome in an Appraisal Proceeding, which could impede the ability of the Corporate Value Fund to settle, as Acquirors typically are only interested in settling with all dissenting shareholders.

Acquisition Premiums

When an Acquiror merges with or purchases a Target, the Acquiror typically offers a substantial premium over the market value of the Target’s equity at the time the transaction is announced. This premium directly reduces the “spread” between the Transaction Price and Fair Value on which Hudson Bay Capital hopes to capitalize. In addition, a court or arbiter may take this premium into consideration in making a determination of the Fair Value to be awarded, which could result in a lesser amount being awarded (as a result, for example, if a court determines that the premium was based on certain considerations in addition to Fair Value).

Delay in Receipt of the Transaction Price

Unless the Prepayment Option Amount is paid (in Delaware Appraisal Proceedings) or a settlement of an Appraisal Proceeding is reached, no portion of the Transaction Price otherwise due to the Corporate Value Fund as a holder of the Target’s stock will be paid until the Appraisal Proceeding is finally resolved in court. While an Appraisal Proceeding award or settlement will often incorporate some interest rate adjustment, the outcomes of Appraisal Proceedings are unpredictable both as to amount and to timing, and the amount received by the Corporate Fund may not offset the present value and other costs involved in the Appraisal Proceeding.

Leverage Risk

Any leverage used by the Corporate Value Fund — with the consent of the Institutional Investor — will not only increase the risk exposure of the Corporate Value Fund to any given Investment but also result in substantial debt service costs. The use of leverage subjects the Corporate Value Fund to the risk of its lenders foreclosing on the Corporate Value Fund’s specific loan as well as to a general restriction of available credit. A number of funds have in the past incurred material, if not total, losses as a result of the

unexpected inability to continue to finance leveraged positions. Even if the Corporate Value Fund does not use leverage to acquire an Investment, the Corporate Value Fund will need to have margin accounts in order to facilitate its hedging activities.

Hedging

The hedging transactions in which the Corporate Value Fund will engage may not be effective in mitigating the Corporate Value Fund's risks. Furthermore, Hudson Bay Capital may choose not to hedge certain risks (in whole or in part) or determine that doing so would be economically disadvantageous. Hedging transactions may, over time, result in a poorer overall performance of the Corporate Value Fund than if Hudson Bay Capital had not engaged in any hedging.

Hedging strategies are subject to both significant transaction costs, as well as to path-dependent outcomes depending upon when hedging positions are implemented, increased, reduced or liquidated and the correlation between such hedging positions and Corporate Event/Appraisal Proceeding (credit) risks that they are intended to hedge. The fact that the Corporate Value Fund hedges its exposure may be viewed unfavorably by a court or arbiter in the context of any determination of value to be awarded, potentially resulting in a lower amount. The Corporate Value Fund's portfolio will always be exposed to certain risks that are not or cannot be hedged.

Expedited Transactions

The opportunity for the Corporate Value Fund to participate in any given Corporate Event will typically be short-lived, and Hudson Bay Capital may be forced to make investment decisions on an expedited basis. The risk to the Corporate Value Fund of Hudson Bay Capital making expedited investment decisions is significant in the case of the Strategy because of the often precise and detailed analysis needed to determine whether the Transaction Price — which has, after all, been accepted by the Target's management — is meaningfully below Fair Value.

Once the Fund is committed to an Appraisal Proceeding, the Corporate Value Fund will hold an effectively completely illiquid position; it will be very difficult for the Corporate Value Fund to close out this position in order to limit losses, even if Hudson Bay Capital realizes that it has made an error in assessing the Fair Value of the Target possibly due (at least in part) to the expedited due diligence that Hudson Bay Capital was forced to conduct on the Corporate Event in question.

Purchase of Third-Party Appraisal Rights

The purchase of Third-Party Appraisal Rights involves a risk that the Corporate Value Fund itself may not be able to exercise such Rights, as it was not the owner of the Target's securities when the Corporate Event in question occurred. In such case, the Corporate Value Fund would incur a partial or complete loss on its investment in the Third-Party Appraisal Rights. For example, there is a risk that the third party who sells such Third-Party Appraisal Rights to the Corporate Value Fund may not in fact have the legal or contractual authority to do so, which could in turn impair or eliminate the

Corporate Value Fund's ability to exercise such Third-Party Appraisal Rights. There is also a legally colorable argument that Appraisal Rights are intended to protect existing investors, not to create an arbitrage opportunity for "new" shareholders. The Corporate Value Fund having purchased the Third-Party Appraisal Rights "after the fact" (*i.e.*, after the related Corporate Event had occurred) might cause a court to be less likely to rule favorably for the Corporate Value Fund in any litigation involving Third-Party Appraisal Rights (also reducing the Corporate Value Fund's negotiating leverage in settlement discussions).

The purchase of Third-Party Appraisal Rights involves the General Partner relying, to a potentially material extent, on the due diligence and expertise of the third party from which the Corporate Value Fund makes such purchase. In addition, in order to exercise such Third-Party Appraisal Rights, the Corporate Value Fund may have to rely on, or at least coordinate with, the third party in question.

Importance of Market Judgment

Although Hudson Bay Capital uses quantitative valuation models in evaluating the economic components of prospective Corporate Event Investments, Hudson Bay Capital's quantitative strategies are by no means wholly systematic; the discretionary market judgment of the principals of Hudson Bay Capital and other key personnel is a basic component of Hudson Bay Capital's strategies. Discretionary action is subject to the risk of inconsistency and errors in judgment.

Projections

The Corporate Value Fund may make Investments relying upon projections developed by Hudson Bay Capital concerning a Target's Fair Value. Projections are inherently uncertain and subject to factors beyond either the control and/or the knowledge of Hudson Bay Capital. The inaccuracy of certain assumptions, the occurrence of unforeseen events and any number of other factors could prevent a Corporate Event in which the Corporate Value Fund is invested from realizing projected values. Even if Hudson Bay Capital's projections prove to be accurate, if the related Appraisal Proceedings are not resolved in a manner consistent with such projections, the Corporate Value Fund may incur substantial losses.

Valuation Models

The Strategy requires the use of quantitative valuation models that Hudson Bay Capital has developed over time, as well as valuation models developed by third parties and licensed by Hudson Bay Capital. As market dynamics and populations shift over time, a previously highly successful model often becomes outdated or inaccurate, perhaps without Hudson Bay Capital's recognizing that fact before substantial losses are incurred on Investments made, at least in part, on the basis of such models. There can be no assurance that Hudson Bay Capital will be successful in continuing to develop and maintain effective valuation models.

Legislative and Regulatory Scrutiny of Appraisal Proceedings

Given its dependence on litigation (whether resulting in favorable settlements or court determinations), the Strategy has attracted more regulatory scrutiny and/or adverse publicity than many other alternative investment strategies. There are typically material and ongoing litigation/adversary proceedings involved in Appraisal Proceedings, and a number of critics have argued that the Strategy is not consistent with the purpose of the laws relating to Appraisal Proceedings — *i.e.*, prevention of the oppression of minority shareholders (not providing profits to speculators which invest in the Target solely with the objective of profiting from the Appraisal Proceeding). This scrutiny and adverse publicity could result in changes in Law in a number of jurisdictions that could reduce or eliminate the profit potential of the Strategy. Certain jurisdictions may, for example, reduce the statutory interest rate accrued on Appraisal Proceeding awards, which would correspondingly reduce the Strategy's profit potential.

Different Legal Protections

Although Hudson Bay Capital expects that the bulk of the Corporate Value Fund's Investments will be in Targets/Acquirors subject to Delaware Law, a number may not be. The laws in different jurisdictions (for example, other states or countries) may not only be difficult to interpret but also materially less favorable to Appraisal Proceedings than those of Delaware — each of which may unexpectedly result in material losses on a given Investment.

Risks Related to Certain Instruments Traded and Investment Techniques

Equity Securities

The bulk of the securities acquired by the Corporate Value Fund will be common stock, and the Corporate Value Fund's equity exposure will be substantial. Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous factors, influence the cost of equities. Moreover, in the case of the Strategy, equity market values may not correlate closely with either the Transaction Price or Fair Value.

Options

From time to time, Hudson Bay Capital may engage in hedging activities through the use of options and may also occasionally determine that it is more efficient to acquire a position in a Target through the use of options rather than (at least initially) taking outright stock positions. The prices of options are generally more volatile than the prices of the underlying equity; and market volatility and interest rates are fundamental components of options pricing.

Derivatives in General

The Corporate Value Fund may from time to time make use of various derivative instruments, such as convertible securities, options, futures, single-stock futures, forwards

and interest rate, credit default, total return and equity swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may diverge unexpectedly, resulting in losses.

Short Sales Risk

Hudson Bay Capital will cause the Corporate Value Fund to engage in short selling. A short sale is effected by selling a security that the Corporate Value Fund does not own, or selling a security which the Corporate Value Fund owns but that it does not deliver upon consummation of the sale. In order to make delivery to the buyer of a security sold short, the Corporate Value Fund must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Corporate Value Fund must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must (unless the Corporate Value Fund then owns or has the right to obtain, without payment, securities identical to those sold short) be collateralized by a deposit of cash or marketable securities with the lender. The Corporate Value Fund may be forced to close out a short position prematurely if a counterparty from which the Corporate Value Fund borrowed securities demands their return. In certain cases, short sellers have been held liable for losses incurred by other market participants.

Structural Risks

Single Investor

The Corporate Value Fund has been organized for the single Institutional Investor (as well as certain Hudson Bay Insiders) and not for multiple third-party investors. As a result, Hudson Bay Capital may be incentivized to make certain determinations differently than it otherwise would. For example, Hudson Bay Capital may be incentivized to declare a default in respect of non-payment of a capital call because certain Hudson Bay Insiders may benefit significantly from such default and the exercise of the related forfeiture provisions.

Differential Access to Information

Hudson Bay Capital will make Investments on behalf of the Corporate Value Fund in competition with other market participants who may have superior information and market intelligence as compared to Hudson Bay Capital. From time to time, the Corporate Value Fund may incur substantial losses caused by an informational disadvantage compared to certain other participants in the applicable Corporate Event and Appraisal Proceeding. The Acquirors in Corporate Events can be expected to have done extensive due diligence on the Target — substantially more than Hudson Bay

Capital will have time to do after a transaction is announced and before an Investment (if any) must be made. Consequently, Hudson Bay Capital can be expected to be at a material informational disadvantage in determining whether the Fair Value of a Target exceeds the Transaction Price.

Cybersecurity Risk

Hudson Bay Capital processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the investors. Similarly, service providers of Hudson Bay Capital and/or the Funds, especially the administrator, may process, store and transmit such information. Hudson Bay Capital 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. Hudson Bay Capital's systems or facilities may be susceptible to employee error or malfeasance, government surveillance and/or other security threats. Breach of Hudson Bay Capital's information systems may cause information relating to the transactions of the Funds and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed. The service providers of Hudson Bay Capital and the Funds are subject to the same electronic information security threats as Hudson Bay Capital.

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

The MLP Fund

Methods of Analysis, Investment Strategies and Risk of Loss

The MLP Fund is a special purpose, co-investment vehicle designed to invest and divest in one specific investment alongside HBC LLC, a subsidiary of the Onshore Fund. The MLP Fund's investment program focuses on the acquisition of a single asset and therefore is not a diversified investment program.

HBC LLC and the MLP Fund have acquired convertible preferred interests in a security of a certain master limited partnership (as previously defined, the "MLP"), as well as the underlying units of the MLP and any payments or distributions of any kind made pursuant to the MLP security (as previously defined, the "Asset") targeted by Hudson Bay Capital. HBC LLC and the MLP Fund also hold certain short positions designed to serve as hedges of the Asset. HBC LLC has invested and will divest in the Asset at the same time (to the extent reasonably practical to do so) and on the same terms as the MLP Fund.

Hedging Trades; Leverage

The MLP Fund may purchase, sell or enter into a variety of financial instruments in order to hedge its investment in the Asset (as previously defined, the “Hedging Trades”). The MLP Fund may use leverage. While the MLP Fund may not borrow capital to purchase additional interests in the Asset, it may borrow capital to implement the Hedging Trades. Also, certain of the Hedging Trades will have imbedded leverage, such as futures, short selling and options.

Conflicts of Interest

Hudson Bay Capital will be advising both the MLP Fund and HBC LLC with respect to their investment in the Asset. These activities may give rise to potential conflicts of interest.

To the extent practicable, investment and divestment from the Asset will occur at the same time and price as between HBC LLC and the MLP Fund. However, if this is not possible then potential conflicts of interest could arise between Hudson Bay Capital’s obligations to HBC LLC and the MLP Fund.

Hudson Bay Capital may cause the Onshore Fund and other funds it advises to buy and sell securities issued by, or derivatives linked to, the MLP. This trading could cause a potential conflict of interest between Hudson Bay Capital’s duties to the Onshore Fund and the other funds it advises, and Hudson Bay Capital’s duties to the MLP Fund.

Some or all of the amounts paid by HBC LLC and the MLP Fund to the MLP in exchange for the Asset will likely be used by the MLP to repurchase bonds owned by funds advised by Hudson Bay Capital. These repurchase transactions will be on an arm’s length basis; however, it is currently expected that the MLP will pay a premium for such bonds. Such transactions could create a conflict between the duties owed by Hudson Bay Capital to the Onshore Fund and other funds it advises that currently own bonds issued by the MLP, on the one hand, and the MLP Fund, on the other hand, which will be providing the MLP with cash.

At times, the MLP Fund may borrow capital from the General Partner, Hudson Bay Capital and/or their affiliates to bridge capital calls until such time as capital contributions have been made by the MLP Fund investors (“Bridge Loans”). Potential conflicts of interest could arise due to their role as a lender to the MLP Fund (if any such Bridge Loans are made) and their duties to the MLP Fund as investment advisers.

Material Risks

Investing in securities involves risk of loss that Clients and MLP Fund investors should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the MLP Fund’s investments. This summary does not attempt to describe all of the risks associated with an investment in the MLP Fund. Although no summary can fully describe all of the risks

associated with such an investment, the MLP Fund PPM contains a more complete description of the risks associated with an investment in the MLP Fund.

General Risks

Investment and Trading Risks in General

All investments made by the MLP Fund, including in connection with the Hedging Trades, risk the loss of capital. No guarantee or representation is made that the MLP Fund's program will be successful. The past performance of speculative trading strategies such as those implemented by Hudson Bay Capital or its principals on behalf of other funds or accounts is not indicative of the MLP Fund's performance.

Financing Arrangements; Availability of Credit; Leverage Risk

The MLP Fund may borrow funds when deemed appropriate by Hudson Bay Capital subject to the constraint that the MLP Fund may not borrow capital to acquire additional interests in the Asset. The MLP Fund will likely borrow capital from brokers, banks and other lenders to implement, support and finance its Hedging Trades. Such leverage, which may be substantial, may also be achieved through, among other methods, purchases of securities on margin, leverage of existing positions, the use of options, futures, forward contracts, repurchase and reverse repurchase agreements, swaps, collateralized guarantees provided by affiliates or the MLP Fund or any other financing structures that could allow the MLP Fund to achieve a levered return. The use of leverage will magnify the volatility of changes in the value of the MLP Fund's portfolios and can, in certain circumstances, increase the losses to which the MLP Fund's investment portfolio may be subject.

Any restriction on the availability of credit could adversely affect the MLP Fund's performance. There can be no assurance that the MLP fund will be able to secure or maintain adequate financing or leverage, without which the Hedging Trades may not continue to be viable, advisable or worthwhile.

Reliance on Corporate Management and Financial Reporting

The MLP Fund relies on the financial information made available by the MLP. Hudson Bay Capital has no ability to independently verify such financial information and depends upon the integrity of both the management of the MLP and the financial reporting process in general in making investments for the MLP Fund. Material losses could occur as a result of corporate mismanagement, fraud and/or accounting irregularities at the MLP.

Fraud

Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty or the MLP. Such inaccuracy or incompleteness, among other things, may adversely affect the valuation of the collateral underlying an investment or cause funds to be misappropriated. Hudson Bay Capital will rely upon the accuracy and completeness of representations made by counterparties and the MLP to the

extent that it deems such representations to be reasonable, but cannot guarantee such accuracy or completeness.

Custody Risk

The Asset will generally be held in book entry form with the MLP. However, the Asset may be, and the Hedging Trades will be, held in accounts maintained for the MLP Fund by its banks, prime brokers or in accounts with other market participants. Such accounts are generally not segregated and the assets therein are not titled in the name of the MLP Fund. Therefore, in addition, to the extent the MLP Fund's securities are held in margin accounts, and the prime brokers have the ability to loan those securities to other persons, the MLP Fund's ability to recover all of its assets in the context of its bankruptcy or other failure will be further limited. In addition, if the banks or brokerage firms selected to act as custodians or their sub-custodians become insolvent, the MLP Fund may lose all or a portion of the funds or securities held by those custodians.

Risks Related to Certain Instruments Traded

Master Limited Partnerships

The primary holding of the MLP Fund is interests in a security issued by a master limited partnership. Master limited partnerships often have tax benefits because they are pass-through entities for U.S. tax purposes. Master limited partnerships must earn at least 90% of their income from qualified sources in order to qualify for these tax benefits. Most of the qualified sources are natural resources such as oil, gas and petroleum products, coal and other minerals, timber, etc. An investment in a master limited partnership involves risks that differ from those associated with investments in similar equity securities. Holders of master limited partnership interests usually have the rights typically afforded to limited partners in a limited partnership, and as such have limited control and voting rights on matters affecting the partnership. In addition, there is the risk that a master limited partnership could be, contrary to its intention, taxed as a corporation, resulting in decreased returns from such master limited partnership.

In addition, master limited partnerships carry equity-like risks. Owning interests in a security issued by a master limited partnership is riskier than owning bonds issued by the same company. Limited partners of a master limited partnership have no management or voting authority over the issuer, which is also a risk.

Finally, master limited partnerships are generally concentrated in energy-related businesses and are exposed to the risks inherent in the energy sector. The master limited partnership in which the MLP Fund is invested, for instance, depends on domestic and international demand for and production of natural gas and oil, and a reduction in this demand or production could adversely affect the demand or the prices the master limited partnership charges for its services, which could cause the master limited partnership's revenue and cash available for distribution to decrease.

Direct Instruments

The investment in the Asset was structured by Hudson Bay Capital. The Asset will be illiquid (until it is converted) even though the underlying MLP is freely tradeable. There is often no trading market for these types of investments, and the MLP Fund may only be able to liquidate the Asset, if at all, at a disadvantageous price.

The Asset is an unregistered security and involves contractual obligations by the issuer of the Asset requiring the issuer to take certain actions. In order for the MLP Fund's investment strategy to be effective, the MLP which issued the Asset must abide by its contractual obligations; otherwise, the MLP Fund may lose all or a portion its investment.

Derivatives

In connection with Hedging Trades, the MLP Fund may use derivative financial instruments, including, without limitation, warrants, options, swaps, convertible securities, notional principal contracts, contracts for difference, forward contracts, futures contracts and options thereon, and uses derivative techniques for hedging and for other trading purposes. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance, as well as of material and prolonged deviations between the theoretical and realizable value of a derivative. These anticipated risks (and other risks that may not be anticipated) may make it difficult, as well as costly to the MLP Fund, to close out positions in order either to realize gains or to limit losses.

Illiquid Portfolio Securities

While the MLP is publicly traded, the Asset is a convertible security linked to the MLP and is not publicly traded. Hudson Bay Capital does not expect the convertible security to convert into units of the MLP and thus become freely tradeable in the near future.

Risks Related to Certain Trading and Investing Techniques

Model Risk

Certain of the MLP Fund's hedging strategies may require the use of quantitative valuation models that Hudson Bay Capital has developed over time, as well as valuation models developed by third parties. As market dynamics shift over time, a previously highly successful model often becomes outdated or inaccurate, perhaps without Hudson Bay Capital recognizing that fact before substantial losses are incurred. There can be no assurance that Hudson Bay Capital will be successful in continuing to develop and maintain effective quantitative models. Models are subject to limitations, including, but not limited to, those caused by incorrect or unrealistic assumptions, computer herding, inapplicability of historical data, omission of key data, erroneous code, oversimplification and underpricing risk.

Operational Risk

The MLP Fund depends on Hudson Bay Capital to develop appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or potential disruption of the MLP Fund's operations. The MLP Fund's business is dynamic and complex. As a result, certain operational risks are intrinsic to the MLP Fund's operations, especially given the complexity of transactions that the MLP Fund is expected to enter into. Consequently, the MLP Fund relies heavily on the financial, accounting and other data processing systems of Hudson Bay Capital and the administrator. The ability of these systems to accommodate the Hedging Trades could also constrain the ability of the MLP Fund to properly manage its portfolio. Systemic failures in the systems employed by the MLP Fund, Hudson Bay Capital, prime brokers, the administrator and/or counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions in the MLP Fund's operations may cause the MLP Fund to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage.

Short Sales Risk

The MLP Fund's Hedging Trades may require that it sell securities "short." 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 the cost to the MLP Fund of buying those securities to cover the short position. There can be no assurance that the MLP Fund will be able to maintain the ability to borrow securities sold short. In such cases, the MLP Fund 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 the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Hedging Risk

While the MLP Fund may enter into hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk, thereby incurring losses to the MLP Fund. In addition, such hedging transactions may result in a poorer overall performance for the MLP Fund than if it had not engaged in any such hedging transactions. Hedging strategies themselves are subject to both significant transaction costs, as well as to path-dependent outcomes determined upon when hedging positions are applied, increased, reduced or eliminated and the correlation between such hedging positions and the directional positions that they are intended to hedge. Moreover, (i) Hudson Bay Capital may not, in general, attempt to hedge all market or other risks inherent in the Asset, may hedge certain risks only partially, if at all, and may not anticipate certain risks; (ii) the Asset will always be exposed to certain risks that cannot be hedged; and (iii) Hudson Bay Capital may not be

able to hedge the Asset for any reason including, but not limited to, the inability to execute, settle or maintain one or more Hedging Trades.

Item 9. Disciplinary Information

On September 16, 2013 Hudson Bay Capital entered into a settled administrative proceeding with the SEC relating to alleged violations of Rule 105 of Regulation M under the Securities Exchange Act of 1934 without admitting or denying the SEC's allegations (the "Settlement"). Rule 105 generally prohibits purchasing an equity security from an underwriter, broker or dealer participating in a public offering if the purchaser sold short the security that is the subject of the offering during a restricted period (usually defined as five business days before the pricing of the offering), absent an exception. Rule 105 applies irrespective of any intent to violate the Rule. Pursuant to the Settlement, \$665,674.96 in disgorgement, \$11,661.31 in prejudgment interest and a civil penalty of \$272,118, was borne by Hudson Bay Capital, and not its Funds' investors. The Settlement also requires Hudson Bay Capital to cease and desist from committing or causing any violations and any future violations of the Rule. Hudson Bay Capital cooperated with the SEC at all times during its investigation and has implemented procedures for ensuring compliance with the Rule, as well as an internal training program to educate its employees further on its nuances. The SEC order notes that in determining the size of the penalty portion, the SEC considered "remedial acts promptly undertaken" and "cooperation afforded to Commission staff" by Hudson Bay Capital.

Item 10. Other Financial Industry Activities and Affiliations

Certain of Hudson Bay Capital's officers, employees and/or their related persons invest directly in certain of the Funds, are not charged a management fee and/or incentive fee/allocation or may be subject to a reduced incentive fee/allocation.

As disclosed in the Funds' PPMs, Hudson Bay Capital and/or its affiliates (including its employees) are not restricted from forming additional investment funds, entering into other investment advisory relationships, investing their personal funds, or engaging in other business activities, even though such activities may substantially track, correlate to, mimic, conflict with or compete with a given Fund or Funds and/or may involve substantial time and resources of Hudson Bay Capital and/or its affiliates. These activities could be viewed as creating a conflict of interest in that the time and effort of Hudson Bay Capital and/or its affiliates would not be devoted exclusively to the business of the Funds, but would be allocated between the business of the Funds and such other business activities. Further, by reason of these activities, Hudson Bay Capital may not be able, or may determine not, to initiate a transaction for the Funds that Hudson Bay Capital may have otherwise initiated for the Funds or may reduce the capacity of the Fund to make an investment.

Hudson Bay Capital does not believe that it and its employees/management persons have any current relationships or arrangements with other financial services companies that are material to its advisory business or to its Clients or that pose material conflicts of interest. In order to prevent any potential conflicts from arising, Hudson Bay Capital generally

prohibits each of its employees and their related persons and entities from making or maintaining personal investments in entities with which such employee routinely causes the Clients to trade or co-invest (other than publicly-traded entities). In addition, with certain limited exceptions relating primarily to volunteer activities, any Hudson Bay Capital employee seeking to participate in any outside business activity must obtain the approval of Hudson Bay Capital's Chief Compliance Officer in order to participate in such activity.

Hudson Bay Capital Associates LLC (as previously defined, the "General Partner") is the general partner of the Onshore Fund, the Capital Structure Feeder Fund, the Corporate Value Fund and the MLP Fund. Any persons acting on behalf of the General Partner are subject to the supervision and control of Hudson Bay Capital in connection with any investment advisory activities. In accordance with SEC guidance, the General Partner is registered as an investment adviser in reliance on the Form ADV filed by Hudson Bay Capital.

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

Code of Ethics

High ethical standards are essential for the success of Hudson Bay Capital and to maintain the confidence of each Client. Hudson Bay Capital is of the view that its long-term business interests are best served by adherence to the principle that Clients' interests come first. In recognition of Hudson Bay Capital's fiduciary obligations to its Clients and Hudson Bay Capital's desire to maintain its high ethical standards, Hudson Bay Capital has adopted a Code of Ethics containing provisions designed to: (i) prevent improper personal trading by Hudson Bay Capital personnel; (ii) prevent improper use of MNPI about securities recommendations made by Hudson Bay Capital or securities holdings of Clients; (iii) identify conflicts of interest (including the establishment of policies concerning outside business interests and gifts and entertainment); (iv) provide a means to resolve any actual or potential conflict in favor of the Client; and (v) establish policies with respect to political contributions and compliance with the Foreign Corrupt Practices Act. The Code of Ethics requires compliance with applicable federal and state securities laws. The Code of Ethics will be provided to any Client or Fund investor or potential Client or Fund investor upon request.

Personal Trading

Hudson Bay Capital's Code of Ethics places restrictions on personal trades by employees and principals, including that they disclose their personal securities holdings and transactions to Hudson Bay Capital on a periodic basis, and requires that employees and principals pre-clear certain types of personal securities transactions. However, these restrictions are not absolute, certain restrictions can be waived and the personal trading accounts of employees and principals may hold positions that are held by a Fund. Similarly, the personal trading of the principals of Hudson Bay Capital and their affiliates or trading done by a principal on behalf of others for whom he or she manages assets

could come into conflict with Hudson Bay Capital's business. If such a conflict arises, the principals are not required to subordinate the interests of any other parties (or their own interests) to those of the pertinent Fund(s), but they will endeavor to resolve any such conflicts in a manner that they believe is fair and reasonable. Hudson Bay Capital, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for a given Fund. These activities may adversely affect the prices and availability of other securities held by or potentially considered for purchase by the Fund.

Principal Transactions

Hudson Bay Capital will not, directly or indirectly, while acting as principal for its own account, knowingly sell any security to, or purchase any security from, an Account without disclosing to such Account in writing prior to the completion of such transaction, the capacity in which Hudson Bay Capital is acting and obtaining the specific consent of such Account. An investors' representative (the "Investor Representative") has been retained for the Multi-Strat Funds, the Capital Structure Fund and the Corporate Value Fund for purposes of considering whether to grant, and granting or withholding, Client consent to certain transactions that may give rise to conflicts of interest. Hudson Bay Capital may satisfy the consent requirement by providing notice to, and receiving the consent of, the Investor Representative and/or the independent directors of such Account.

Cross Trades

Hudson Bay Capital may determine that it would be in the best interests of multiple Accounts to transfer a security from one Account to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Accounts, or to reduce transaction costs that may arise in an open market transaction. If Hudson Bay Capital decides to engage in a Cross Trade, it will determine that it believes that the trade is in the best interests of both of the Accounts involved and take what it believes to be reasonable steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Accounts. Hudson Bay Capital may execute Cross Trades, if at all, with the assistance of a broker-dealer that executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross transaction between two Clients may occur as an "internal cross", where Hudson Bay Capital instructs the custodian for the Accounts to book the transaction at the price determined in accordance with the Funds' valuation policy. If Hudson Bay Capital effects an internal cross, Hudson Bay Capital will not receive any fee in connection with the completion of the transaction.

Item 12. Brokerage Practices

Hudson Bay Capital has complete authority over the selection of the brokerage firms used to execute and clear portfolio transactions on behalf of Clients and custody assets of Clients.

Best Execution

Transactions for Clients will be allocated to broker-dealers for execution taking into consideration factors such as price; transaction costs; ability to effect the transactions; a broker-dealer's facilities, reliability and financial responsibility; commitment of capital; access to company management; quality of research; effectiveness of sales coverage; access to deal flow; the provision or payment by the broker-dealer of the costs of research; and other factors that are deemed appropriate to consider under the circumstances. In selecting broker-dealers, Hudson Bay Capital need not solicit competitive bids and has no obligation to seek the lowest available commission cost. Hudson Bay Capital does not always negotiate "execution only" commission rates and may, in its sole discretion, determine that the amount of commissions charged by a broker-dealer which is greater than the amount another broker-dealer might charge is reasonable in relation to the value of the brokerage and products or services provided by such broker-dealer. Accordingly, the commissions and other transaction costs (which may include dealer markups or markdowns) charged to Clients by broker-dealers in the foregoing circumstances may be higher than those charged by other broker-dealers that may not offer such products or services. Subject to the considerations described above, the selection of a broker-dealer (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker-dealer of the following: capital introduction, marketing assistance, and consulting with respect to technology, operations, equipment and office space. Hudson Bay Capital may have an incentive to select a broker-dealer based on its interest in receiving these services rather than on Clients' interest in achieving most favorable execution. However, as noted above, Hudson Bay Capital selects broker-dealers according to its fiduciary duty to seek best execution, taking into account all applicable considerations.

If Hudson Bay Capital decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another: the ease of use; the flexibility of the ECN compared to other ECNs; and the level of care and attention that will be given to smaller orders.

Soft Dollar Benefits

From time to time, Hudson Bay Capital may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. In certain cases, such arrangements, although all related to Hudson Bay Capital's administration and investment management of the Funds, may fall outside of the safe harbor for fiduciaries' use of "soft dollar" services established by Section 28(e) of the Securities Exchange Act of 1934, as amended; provided, in each case, that Hudson Bay Capital believes these arrangements are equitable and consistent with the objectives of the Funds. As of the date of this Brochure, there are no arrangements whereby Hudson Bay Capital has committed any Fund to pay a

certain level of commissions (or markups or markdowns) in exchange for any “soft dollar” or other services from any broker-dealer.

In addition, the Third-Party Ventures in which the Multi-Strat Funds may participate may make use of “soft dollar” services, and any additional transaction expenses incurred in order to obtain such services – unlike in the case of any “soft dollar” services obtained by Hudson Bay Capital – would generally constitute incremental expenses to the Multi-Strat Funds. Such “soft dollar” services may also fall outside of the “safe harbor” provisions of Section 28(e). Each Multi-Strat investor, as a condition of investing in a Multi-Strat Fund, consents to such “soft dollar” arrangements and, if applicable, to Hudson Bay Capital consenting to such arrangements on behalf of the Multi-Strat Fund.

Also, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by a Fund may be used by Hudson Bay Capital to service one or more Other Accounts, including Accounts that may not have paid for the soft dollar benefits. Hudson Bay Capital will not seek to allocate soft dollar benefits to Accounts in proportion to the soft dollar credits the Accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to Hudson Bay Capital (*i.e.*, a “mixed use” item), Hudson Bay Capital will make a good faith allocation of the cost that may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of Hudson Bay Capital’s allocation of the costs of such benefits and services between those that primarily benefit Hudson Bay Capital and those that primarily benefit the Accounts.

When Hudson Bay Capital uses brokerage commissions (or markups or markdowns) generated by any Accounts to obtain research or other products or services, Hudson Bay Capital receives a benefit because it does not have to produce or pay for such products or services. Hudson Bay Capital may have an incentive to select or recommend a broker-dealer based on Hudson Bay Capital’s interest in receiving research or other products or services, rather than on an Account’s interest in receiving most favorable execution.

At least annually, Hudson Bay Capital considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Accounts on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Hudson Bay Capital make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

Allocation of Investment Opportunities and Orders

Hudson Bay Capital recognizes its duty to treat each Fund and the Other Accounts (each, an “Account”) in a manner it believes to be fair and equitable.

Consistent with such overriding principle, Hudson Bay Capital has adopted policies and procedures regarding the aggregation and allocation of investment opportunities. Hudson Bay Capital has designated an Allocation Committee (the “Allocation Committee”) to oversee the allocation of investments among Accounts in accordance with such policy.

Hudson Bay Capital currently advises Accounts that have overlapping strategies and may manage Other Accounts in the future the strategies of which overlap with one another. To the extent that a particular investment opportunity is allocable to more than one Account and there is an insufficient amount of the particular opportunity to satisfy the needs of the each Account, Hudson Bay Capital’s general policy is to allocate that investment opportunity between the Accounts on a *pro rata* basis relative to, depending on each Account, their targeted long market value, as determined by the Allocation Committee, for the category of investments into which the investment opportunity falls, their relative Net Asset Values or such other method as Hudson Bay Capital deems to be fair and reasonable over time. The Allocation Committee may determine, from time to time, to modify the methodology by which investments will be allocated among Accounts on a prospective basis.

However, Hudson Bay Capital is not required to provide every opportunity to each of the Accounts, and Hudson Bay Capital may, in good faith, determine that certain investments should not be allocated to the each of the Accounts that have overlapping strategies. Situations for which exceptions to the general *pro rata* rule set forth above may be appropriate, include: (a) an Account already having sufficient exposure to the securities, issuer or market in question; (b) the different liquidity positions and requirements of the participating Accounts; (c) tax considerations; (d) regulatory considerations; (e) the relative capitalization and cash availability of the participating Accounts; (f) the relative risk and value-at-risk profiles of the participating Accounts; (g) portfolio concentration considerations; (h) informal diversification requirements; (i) borrowing base considerations; (j) different historical and anticipated subscription and redemption patterns; (k) minimum investment criteria; (l) differences in availability/cost of funding; and/or (m) investment time horizon. The foregoing list is not intended to be exclusive, and investments may be allocated on a non-*pro rata* basis on the basis of other considerations that a portfolio manager, in consultation with the Allocation Committee, may determine from time to time.

When Other Accounts that have overlapping strategies with an existing Account ramp up their investment and trading strategies, the existing account may receive reduced or no allocations of certain securities.

Order Aggregation and Average Pricing

When Hudson Bay Capital determines that more than one Account should participate in an investment, Hudson Bay Capital will seek to execute orders for all of the participating Accounts on what it believes to be on an equitable basis, taking into account such factors as legal or tax considerations, the relative amounts of capital available for new investments, relative exposure to the markets, liquidity and the investment programs and portfolio positions of each of the Accounts. Orders may be combined for all such Accounts, and if an order is not filled at the same price, it may be allocated on an average price basis. Similarly, if an order on behalf of more than one Account cannot be fully executed under prevailing market conditions, the securities that are actually acquired may be allocated among the different Accounts on any basis which Hudson Bay Capital considers equitable. As a result of the foregoing considerations, Hudson Bay Capital may an Account to participate in an investment and another Account not to do so, notwithstanding that such Account could, under its investment mandate, make the same investment and *vice versa*. For similar reasons, the Accounts may participate in certain investments in a different manner from one another. For example, one Account may participate in an investment opportunity through the purchase of an equity interest while another participates through an extension of credit.

Trade Errors

Trade Errors, which may result in losses or gains, may occur. A “Trade Error” means the execution of a transaction for an Account on terms other than as intended, including: (i) the purchase or sale of a security other than the security identified in an order (or other trade instruction); (ii) the placement of an order (either a purchase or a sale) for a quantity of securities that differs from the quantity identified in such order (or other trade instruction); (iii) the sale of a security when a purchase was instructed; (iv) the purchase of a security when a sale was instructed; (v) keystroke errors that occur when entering trades into an electronic trading system; (vi) typographical, drafting, or similar errors made when placing or confirming orders; and (vii) the purchase or sale of a security for the wrong account and the discovery of this post-settlement of such trade.

Pursuant to the exculpation and indemnification provided by the Funds to Hudson Bay Capital, Hudson Bay Capital will generally not be liable to the Funds for any of its acts or omissions, absent bad faith, gross negligence, willful misconduct or fraud, and the Funds will generally be required to indemnify Hudson Bay Capital against any losses it may incur by reason of any act or omission related to the Funds absent bad faith, gross negligence, willful misconduct or fraud. As a result of these provisions, the Funds (and not Hudson Bay Capital) will benefit from any gains resulting from Trade Errors and will be responsible for any losses (including additional trading costs) resulting from Trade Errors, absent bad faith, gross negligence, willful misconduct or fraud of the relevant person. Hudson Bay Capital will reimburse the Funds for losses (which, for the avoidance of doubt, do not include profits) for which Hudson Bay Capital.

Item 13. Review of Accounts

Review of Accounts

Hudson Bay Capital will review, as pertinent, each Client's portfolio holdings to determine that the investments held by each Client remain consistent with the pertinent offering documents and will generally review each Client's performance on an ongoing basis.

Reports to Clients

Multi-Strat, Capital Structure, Corporate Value and MLP Fund investors receive unaudited performance information at least quarterly and audited financial statements on an annual basis. A Fund may offer certain investors additional information and reporting that other investors may not receive, and such information may affect an investor's decision to request a withdrawal from its capital account. (See Side Letters, Item 4, above.)

Item 14. Client Referrals and Other Compensation

Hudson Bay Capital does not currently have any arrangements with third parties whereby such third parties are compensated for client referrals.

In the event Hudson Bay Capital enters into compensation arrangements with third party solicitors for new advisory business, any such solicitation arrangements will comply with Rule 206(4)-3 under the Advisers Act.

Item 15. Custody

Fund assets covered by Rule 206(4)-2 of the Advisers Act are held in custody by unaffiliated qualified custodians. However, Hudson Bay Capital is deemed to have custody of the assets contained in the Fund portfolios, since a Hudson Bay Capital affiliate serves as general partner or managing member for certain of the Funds, or because Hudson Bay Capital has the ability to withdraw advisory fees directly from certain Fund accounts and/or to obtain possession of other Fund assets. Accordingly, Hudson Bay Capital is subject to the relevant provisions of Rule 206(4)-2 of the Advisers Act. Multi-Strat, Capital Structure, Corporate Value and MLP Fund investors do not receive account statements from the custodian; rather, these Funds are subject to an annual audit and the audited financial statements are distributed to each of these Fund investors, pursuant to Rule 206(4)-2(b)(4).

Item 16. Investment Discretion

Hudson Bay Capital provides discretionary investment advisory services to the Funds. Hudson Bay Capital may make investment decisions, without consultation with the Funds or the Fund investors regarding which securities are bought and sold for the Client account, the total amount of the securities to be bought and sold, the broker-dealers with which orders are placed for execution and the commission rates at which securities

transactions are effected. Such discretionary authority is granted to Hudson Bay Capital in the applicable limited partnership agreement or investment management agreement.

Item 17. Voting Client Securities

Hudson Bay Capital has voting authority and responsibility with respect to securities held by the Funds and may in the future have voting authority with respect to securities held by other clients. Hudson Bay Capital's proxy voting policy is overseen and implemented by a Proxy Voting Committee, consisting of the Chief Compliance Officer and the Chief Operating Officer and such other persons as may be appointed from time to time. In voting proxies relating to securities held by its Clients (each, a "Client Proxy"), Hudson Bay Capital is guided by general fiduciary principles and votes in the manner it believes is consistent with efforts to achieve a Client's stated investment objectives. Hudson Bay Capital has appointed an unaffiliated third party proxy voting service, Institutional Shareholder Services ("ISS"), to assist with the management of proxy voting. Hudson Bay Capital retains the discretion to take no action with respect to a proposed vote if it determines that doing so is in the best interests of a Client (for example, where Hudson Bay Capital determines that the cost of voting exceeds the expected benefit to the Client).

Hudson Bay Capital has determined that in a large majority of voting situations, given the time and effort necessary in order to vote a Client Proxy, it is in its Clients' best interests for Hudson Bay Capital to rely on the analyses and vote recommendations provided by ISS (each, an "ISS Recommendation"). In those situations, Hudson Bay Capital need not take any further action, and ISS will vote the Client Proxy on Hudson Bay Capital's behalf in accordance with the ISS Recommendations.⁵

Notwithstanding the foregoing, Hudson Bay Capital always maintains ultimate voting discretion and may disregard an ISS Recommendation at any time. In particular, in situations where Hudson Bay Capital determines that it is in a Client's best interest to vote a Client Proxy in a particular way (the "HBC Proxy Voting Decision"), Hudson Bay Capital will review the ISS Recommendation relating to such Client Proxy, and where the ISS Recommendation differs from the HBC Proxy Voting Decision (or where there is no ISS Recommendation with respect to such Client Proxy), Hudson Bay Capital will specifically instruct ISS to vote the Client Proxy in accordance with the HBC Proxy Voting Decision, in accordance with certain internal procedures applicable to the Proxy Voting Committee.

Included in these procedures are steps Hudson Bay Capital takes that are designed to identify conflicts or potential conflicts that could arise between its own interests and those of its Clients. If it is determined that any such conflict or potential conflict is not material, Hudson Bay Capital may vote Client Proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest is material, Hudson

⁵ The ISS Proxy Voting Summary Guidelines can be accessed at <http://www.issgovernance.com/policy-gateway/voting-policies>.

Bay Capital may use one or more methods to resolve the conflict, including directing ISS to recommend a vote with respect to the Client Proxy, disclosing the conflict to the Client and obtaining its consent before voting or such other method as is deemed appropriate under the circumstances.

Since a Client's best interests must, by necessity, be determined on a case-by-case basis, there are no "hard and fast" guidelines that can be applied to Hudson Bay Capital's determination of how to vote Client Proxies to cover all situations. Among the factors Hudson Bay Capital may consider in reaching a HBC Proxy Voting Decision are how a particular Client Proxy vote would affect: (i) fulfillment of an investment thesis concerning a particular strategy (*i.e.*, consummation of a merger or other corporate event); (ii) Client portfolio positions in other parts of the issuer's capital structure; (iii) other contractual rights held by the Client in connection with the securities at issues; (iv) the Client's relationship with the issuer; (v) tax and/or regulatory issues relating to the securities or issuer at issue; and (vi) other facts as circumstances the Proxy Voting Committee identifies depending on the particularities of the situation at hand.

Clients and Fund investors may request a copy of Hudson Bay Capital's proxy voting policy, as well as applicable proxy voting records, by contacting the Chief Compliance Officer at Hudson Bay Capital.

Item 18. Financial Information

Hudson Bay Capital is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its Clients, and Hudson Bay Capital has not been the subject of a bankruptcy petition.