



Part 2A of Form ADV: Firm Brochure

Hudson Bay Capital Management LP

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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: (a) remove references to the Hudson Bay MLP Fund LP, which was liquidated in 2019, (b) provide information concerning newly offered co-investment interests/shares in the multi-strategy funds, and (c) make other immaterial changes to disclosures surrounding the funds and Hudson Bay's business.

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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.

Hudson Bay Capital’s main office is located in New York, NY. The office of Hudson Bay Capital’s affiliate, Hudson Bay Capital UK LLP (“HBC UK”), is located in London, United Kingdom. HBC UK’s advisory personnel have been seconded to Mirabella Financial Services LLP (“Mirabella”), which serves as a sub-manager to Hudson Bay Capital with respect to Hudson Bay Master Fund Ltd. and HB Fund LLC. Mirabella is authorized and regulated by the Financial Conduct Authority.

As of February 29, 2020, Hudson Bay Capital managed client assets with a net asset value of approximately \$5 billion, all on a discretionary basis.

Hudson Bay Capital currently manages: (i) a multi-strategy hedge 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 more levered basis) (along with their affiliates, including, without limitation, the Hudson Bay Master Fund Ltd. and HB Fund LLC, collectively, the “Multi-Strat Funds”); and (ii) a hedge fund focused on convertible and other equity-linked and related investments as well as other debt--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”). The Multi-Strat Funds and the Capital Structure 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

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; and (ii) Hudson Bay International Fund Ltd. (the “Offshore Fund”), a Cayman Islands exempted company,

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

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 and simplifying ongoing operations. Investments that would be tax disadvantageous to the Offshore Fund or the Levered Fund (for example, originating debt obligations such as loans, notes and other debt instruments or obligations), 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. 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

² The Master Fund serves as the managing member of a separate, two-member, limited liability company, 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 HBM. HBM is not “offered” to investors and serves primarily as a special purpose vehicle for a single Master Fund investment.

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

Multi-Strat Funds invest are constantly evolving and new strategies may appear within the Multi-Strat Funds' portfolio with some regularity.

Although the functional currency of the Multi-Strat Funds is in U.S. Dollars, the Offshore Fund offers separate tranches of Class A shares (the "Foreign Currency Shares"), each of which has the same general provisions as the other Class A shares, but whose functional currencies are in the Japanese Yen and the British Pound, respectively. The Foreign Currency Shares' will be issued, reported and quoted in their respective currency denominations, the Multi-Strat Management and Performance Fees (as those terms are defined below) will be calculated in their respective currency denominations and cash payments on redemption will be paid in their respective denominations; notwithstanding that their par value shall be U.S. Dollars. Hudson Bay Capital generally expects to cause the currency exposure of the Foreign Currency Shares to be hedged to minimize, to the extent reasonably practicable, fluctuations in the value of the Foreign Currency Shares arising from fluctuations in the applicable currency exchange rate and expects to engage in transactions, including the purchase and sale of spot and forward contracts, currency options and currency futures contracts to manage U.S. Dollar-foreign currency risks. The expenses of currency conversions and the expenses, profits or losses of currency hedging activities undertaken in relation to the Foreign Currency Shares incurred by the Master Fund will be allocated to the Foreign Currency Shares. Redemption proceeds of the Foreign Currency Shares will generally be paid on a date following the calculation of the net asset value of the Foreign Currency Shares for the month in which the redemption occurs, but generally no later than 5 business days following the month end of the month after the month as of which the Foreign Currency Shares may be redeemed ("the Redemption Payment Date").

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. 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 may create additional classes, sub-classes, tranches or series of interests for certain investors that provide for these differing rights. Certain side letters may enable certain investors to receive reports and have access to information regarding the Multi-Strat Funds' portfolio that might only be available to other investors upon direct request from such investor. Accordingly, certain investors may be privy to certain information regarding the Multi-Strat Funds that may not be available to other investors and such investors may make investment decisions with respect to their investment in the Multi-Strat Funds based on such information, including requesting redemptions.

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. 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 letters without notice to, or consent of, other investors. 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, obligations or terms imposed on an investor relating to 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 other investment mandate which precludes them from participating in profits or losses attributable to certain securities and other investments ("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 Onshore Fund) whereby Hudson Bay Capital uses 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. Because Restricted Investments may include hedges (internal and otherwise) in the Investment Manager's discretion, the Restricted Investments Reallocation may result in a different allocation of profits and losses to the SRI Investors and the non-SRI Investors than would have occurred had there been no hedges (internal or otherwise). 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. As a consequence, 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.

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.

Co-Investment Interests

Hudson Bay Capital and/or its affiliates may, from time to time, offer one or more investors in the Funds and/or other third-party investors (including, without limitation, Hudson Bay Parties (as defined below)) (each such party, a “Co-Investor”) the opportunity to co-invest with the Multi-Strat Funds in a particular investment or strategy or a portfolio or basket of investments or strategies, whether or not identified at the time of offering (each such co-investment opportunity, a “Co-Investment”, which, for the avoidance of doubt, will not include the portion of any investment made by a Multi-Strat Fund for its portfolio). Hudson Bay Capital and/or its affiliates may offer a Co-Investment to investors in the Funds and/or other third-party investors based on factors such as, but not limited to: the nature of the opportunity; size of commitment; fees associated with such investment; speed of execution required; tax considerations; such persons’ familiarity with and, capability and history of, making similar investments; such person’s prior expressions of interest in making co-investments; the ability of such persons to generate future investment opportunities or provide other benefits to the Funds, Hudson Bay Capital and/or its affiliates and/or other accounts managed by Hudson Bay Capital or its affiliates and/or to provide analytical and market advice or other expertise that may be valuable to the Funds and/or other accounts managed by Hudson Bay Capital or its affiliates; and other factors deemed by Hudson Bay Capital and/or its affiliates to be relevant.

To the extent a Fund determines to offer a Co-Investment and one or more Co-Investors determine to participate in such Co-Investment, the Fund will issue a new series of interests to represent the Co-Investors’ participation in such Co-Investment. Hudson Bay Capital and/or its affiliates are not required to offer Co-Investments to any existing Fund investor and no person will be entitled (or obligated) to participate by reason of being an investor in a Fund. The decision of Hudson Bay Capital and/or its affiliates to offer (or not to offer) indirect participation in a Co-Investment to any Fund investor will be made in its sole discretion. If it is determined to offer indirect participation in any Co-Investment to an investor, Hudson Bay Capital and/or its affiliates will provide the details of such opportunity at the time the offer is communicated to such prospective investor.

The Fund offering a Co-Investment will establish a new series of interests or shares (each, a “Co-Investment Series”). Hudson Bay Capital intends that Co-Investments, together with any related trading and hedging, will be made through special purpose

vehicle(s) owned by one of the Funds (a “Master SPV”) utilizing the assets contributed by Co-Investors in the relevant Co-Investment Series; *provided, however*, Hudson Bay Capital and/or its affiliates, in their discretion, may determine to cause a Fund to make Co-Investments directly and not through a Master SPV. To the extent Hudson Bay Capital and/or its affiliates determines to cause a Fund make Co-Investments directly, the Fund, and not the Master SPV, will make investments and conduct trading and hedging on behalf of the particular Co-Investment Series.

The particular terms of each Co-Investment Series including, without limitation, timing of investment, capital calls, fees and withdrawal/redemption rights will be as provided in a notice provided by Hudson Bay Capital and/or its affiliates to the Co-Investors concerning the Co-Investment (each, a “Co-Investment Notice”). Under the terms of a Co-Investment Notice, interests in Co-Investment Series may or may not be withdrawn at the election of their holder. Certain Co-Investment Series may be closed-end and require the holder to continue to indirectly participate in the Co-Investment to which they relate until that investment is sold or liquidated. Other Co-Investment Series at the discretion of Hudson Bay Capital and/or its affiliates may be open-ended and the holders may have the opportunity to redeem/withdraw their investment on a periodic basis as specified in the Co-Investment Notice.

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 Hudson 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 implements a number of different strategies in its portfolio, including but not limited to

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.

convertible arbitrage, relative value, capital structure arbitrage and other credit-related strategies. Although the Capital Structure Fund's overall focus is 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 for certain investors that provide for these differing rights.

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 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.

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”)⁵. The Multi-Strat Management Fee charged to the Levered Fund is based on the net asset value of the Shares multiplied by the target leverage ratio of the Levered Fund, which is 1.5, *i.e.*, the calculation of its Multi-Strat Management Fee includes the asset value attributable to Fund Leverage (as defined below), assuming that the Fund Leverage were 1.5. Such fee is typically paid quarterly in advance and is pro-rated for periods less than a full quarter. The Multi-Strat Management Fee paid by the Offshore Fund to Hudson Bay Capital in respect of the Foreign Currency Shares is calculated in the applicable functional currency.

Performance Allocation

Investors in the Multi-Strat Funds are also typically charged an incentive 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 Allocation”). Under the modified loss carry forward provision, the Multi-Strat Performance Allocation 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 Allocation. Additional net profits in excess of \$210 will be subject to the full 20% Multi-Strat Performance Allocation.

The Multi-Strat Performance Allocation for the Foreign Currency Shares (the “Foreign Currency Performance Fee”) will be calculated as:

- (i) The net realized and unrealized appreciation in the net asset value of each series of Tranche Foreign Currency Shares will be calculated in U.S. Dollars.
- (ii) The amount described in (i) above will be converted to Yen or Pounds, as

⁵ Interests in the Multi-Strat Funds are also offered through a financial institution’s private wealth platform pursuant to a third party placement agent agreement (the “Private Wealth Interests”). Certain of the Private Wealth Interests are charged a management fee equal to 2.5% per annum of the amount invested in the applicable Multi-Strat Fund and those Private Wealth Interests are charged an incentive allocation equal to 20% per annum of the net profits allocable to the amount invested in the applicable Multi-Strat Fund, calculated as if the Multi-Strat Management Fee were 1.5% per annum, rather than the 2% Multi-Strat Management Fee described above.

applicable, based upon the then current “spot rate”.

(iii) The Foreign Currency Performance Allocation will be calculated net of the Management Fee. For the avoidance of doubt, such calculation will not take into account, and the Foreign Currency Performance Allocation will not be calculated net of, the expenses of currency conversions and the expenses, profits or losses of currency hedging activities undertaken in relation to the Foreign Currency Shares.

The Foreign Currency Performance Allocation calculations will also be appropriately adjusted for redemptions and subscriptions. Additionally, the prior high net asset values and adjusted prior high net asset values attributable to each series of Foreign Currency Shares will be tracked in Yen or Pounds, as applicable. Hudson Bay Capital, in its sole discretion, determines whether to receive the Foreign Currency Performance Allocation for the Foreign Currency Shares in Yen, Pounds or U.S. Dollars (converted based on the Yen or Pound exchange rate, as applicable).

Hudson Bay Capital reserves the right to reduce, waive or calculate differently the Multi-Strat Management and Multi-Strat Performance Allocation s with respect to any investor (and has done so on occasion), including, without limitation, investors that are: (i) present or former employees or principals of Hudson Bay Capital (“Hudson Bay Insiders”); (ii) a member of the immediate family of any Hudson Bay Insider; (iii) any fund or account managed by Hudson Bay Capital for the principal use of any of the foregoing persons described in clauses (i) or (ii); or (iv) a trust or other entity established for the benefit of any Hudson Bay Insider or any member of the immediate family of any Hudson Bay Insider (any of the foregoing, a “Hudson Bay Party” and collectively, the “Hudson Bay Parties.”) Currently, Hudson Bay Parties invested directly in the Multi-Strat Funds are not charged a management fee and may not be subject to an incentive allocation or may be subject to a reduced incentive allocation. By means of individually-negotiated arrangements, certain investors pay a reduced management fee in exchange for a substantial investment and reduced liquidity.

Co-Investment Fees

Hudson Bay Capital and/or its affiliates may charge a management fee, a performance allocation or other fees in relation to each Co-Investment, each as set forth in the Co-Investment Notice for such Co-Investment. Hudson Bay Capital and/or its affiliates will receive fees and/or incentive compensation from Co-Investors, which may differ as among Co-Investors, and which also will differ from the fees and/or allocations borne by the Funds’ investors. Additionally, Co-Investors may not bear certain expenses (e.g., broken deal expenses, administration and other general fund expenses) that are borne by other Fund Investors in connection with their investments in the Funds and such expenses generally will be borne by such Fund investors.

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 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 the event the Levered Fund is required to pay a fee, cost, expense or any other amount (a “Loan Reduction Fee”) to the Lender (as defined below) as a consequence of the reduction in the amount borrowed, such Loan Reduction Fees will be allocated to the Shareholder(s) that have redeemed or otherwise contributed to such Loan Reduction Fee at any point during the term of the Lender Agreement (as defined below) under which such Loan Reduction Fee arose.

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.

Similarly, Hudson Bay Capital and/or its affiliates can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds that will neither be subject to an offset against any Management Fees payable to the Funds, nor will otherwise be shared with the Funds and/or investors. For example, airline travel or hotel stays incurred as Fund or account expenses typically result in cash rebates, “miles,” credit card “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not *de minimis* or difficult to value, inure exclusively to the Advisers and/or such personnel (and not the Funds and/or investors) even though the cost of the underlying service is borne by the Funds and/or investors.

Hudson Bay Capital and/or its affiliates may receive different fees and/or incentive compensation from Co-Investors than it receives from Fund investors. Accordingly, the Hudson Bay Capital and/or its affiliates may face a conflict in allocating investment opportunities between the Funds’ main portfolios and a Co-Investment Series.

The Capital Structure Fund

Management Fee

The stated management fee for the Capital Structure Fund is 1.5% per annum of the amount invested in the Capital Structure Fund (the “Capital Structure Management Fee”). Such fee is to be 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 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 Incentive Allocation with respect to any investor, including, without limitation, investors that are Hudson Bay Parties, and has done so. Currently, Hudson Bay Parties invested directly in the Capital Structure Fund are not charged a management fee and may not be subject to an incentive allocation or may be subject to a reduced incentive allocation. In addition, certain early-stage investors, by means of individually-negotiated arrangements, pay a reduced management fee.

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.”

By means of individually-negotiated arrangements, the Operating Expenses allocable to certain early stage investors are subject to an expense cap, calculated as a fixed percentage of the Capital Structure Fund’s average net asset value for the fiscal year (the “Expense Cap”). In the event such investors’ allocable share of the Capital Structure Fund’s Operating Expenses for a fiscal year exceeds the Expense Cap, Hudson Bay Capital and/or its affiliates, and not the early stage investors, will pay the allocable amount over the Expense Cap. Operating Expenses for this purpose means the operating expenses as set forth in the Capital Structure Fund’s Consolidated Audited Financial Statements other than organizational and offering expenses, the Capital Structure Fund Management Fee and Incentive Allocation, quotation fees and market data fees and extraordinary expenses.

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.

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 in manner that Hudson Bay Capital believes to fair and equitable.

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 the portfolio managers 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, buying distressed and high-yield securities offering favorable return profiles; buying and selling protection in credit default swaps and credit default swap indices, options and tranches versus similar instruments and/or versus other instruments (*e.g.*, equity ETFs) to express views on segments of the credit markets; and some combination of all of the above.

- *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, breakage fees, commitment fees 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 to a Levered Fund 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.

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 Fund 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. The Multi-Strat Funds have entered into Third-Party Ventures on occasion.

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. Investments in a Co-Investment Series will not be included or subject to the Longer Term Investment Limitation. 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.

Natural Disasters/Health Epidemics

Hudson Bay Capital's investment advisory activities could be adversely affected by events outside of our control, such as natural disasters or health epidemics. Beginning in late 2019, the media has reported a public health epidemic originating in China, prompting precautionary government-imposed closures of certain travel and business. It is unknown whether and how global supply chains may be affected if such an epidemic persists for an extended period of time. Hudson Bay Capital and/or the Funds may incur expenses, delays, or interruption of critical business functions relating to such events outside of our control, which could have a material adverse impact on our investment advisory business including, but not limited to, the financial conditions or prospects of our investments and the sourcing of new investment opportunities. Such material adverse impact could, in turn, adversely affect the performance of the Funds.

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, breakage fees, commitment fees 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.

Risks Related to the Foreign Currency Shares

Currency Hedging

The Master Fund expects to (but is not required to) convert Yen/Pounds received from Foreign Currency Share subscriptions to U.S. Dollars at the applicable exchange rates in effect at the time of subscription. Similarly, funds necessary for redemptions may be obtained by the Master Fund converting U.S. Dollars into Yen/Pounds at the exchange rates in effect on or about the date as of which the Foreign Currency Shares may be redeemed or the Redemption Payment Date. If and to the extent that Yen/Pound-U.S. Dollar and U.S. Dollar-Yen/Pound conversions are made as described, then between the initial investment and a subsequent redemption, the Master Fund expects to hold and adjust hedge positions between the Yen/Pound and the U.S. Dollar to seek to insulate holders of the Foreign Currency Shares from gains or losses resulting from changes in the relative value of the Yen/Pound and the U.S. Dollar.

There can be no assurance that hedging transactions will be made or will be successful. Such transactions will not necessarily mitigate the Foreign Currency Shares' entire exposure to changes in the applicable exchange rate. For example, it is not anticipated that the currency hedging will be adjusted to take into account the Foreign Currency Shares' entire exposure to changes in the applicable exchange rates resulting intra-month, and may not be adjusted to reflect the investment results and other items of income, gain, loss or deduction in months in which such gains or losses are, in Hudson Bay Capital's sole discretion, deemed immaterial. In addition, there can be no assurance that the currency hedging activities will fully protect investors from a decline in the value of the U.S. Dollar against the Yen/Pound. Investors in the Foreign Currency Shares will not generally benefit when the U.S. Dollar appreciates against the Yen/Pound.

Currency hedging activities will generally require the use of a portion of the Master Fund's assets for margin or settlement payments or other purposes. For example, the Master Fund may from time to time be required to make margin, settlement or other payments, including intra-month, in connection with the use of certain hedging instruments. The Master Fund does not currently intend to allocate any charge to the Foreign Currency Shares for the use of such assets, as it does not believe such costs to be material. The Master Fund may,

however, in the future, without notice to the investor, decide to allocate a financing charge to the Foreign Currency Shares for the use of such assets. Counterparties to any currency hedging activities may demand payments on short notice, including intra-day. As a result, the Master Fund may liquidate assets sooner than it otherwise would have in order to have available cash to meet current or future margin calls, settlement or other payments, or for other purposes. Moreover, due to volatility in the currency markets and changing market circumstances, the Master Fund may not be able to accurately predict future margin requirements, which may result in holding excess or insufficient cash and liquid securities for such purposes. Where the Master Fund does not have cash or assets available for such purposes, the Master Fund may be required to dispose of assets at disadvantageous prices or might fail to comply with certain of its contractual obligations. Such failures could, without limitation, include failing to meet margin calls or settlement or other payment obligations. If the Master Fund were to default on any of its contractual obligations, the Offshore Fund and its shareholders might be materially adversely affected.

Hedging-Related Losses

For a variety of reasons, hedging transactions may result in losses, which would be allocable solely to the Foreign Currency Shares.

Availability of Hedging Instruments

In periods of market stress, the instruments necessary to permit hedging activity may not generally be available or may not, in the Master Fund's judgment, be economically practical.

Co-Investment Series Risks

Liability of the Funds and Separate Classes

The Funds have the power to issue interests in classes, series or sub-series. Liabilities generally are to be attributed to the specific classes, series or sub-series in respect of which the liability was incurred. However, each Fund is a single legal entity and there is no limited recourse protection for any class, series or sub-series of interests. All assets of each Fund may be available to meet all liabilities of such Fund, even if the liability relates to a particular class, series or sub-series of interests of each Fund (*e.g.*, Co-Investments, new issues and any corresponding hedge positions). Thus, for example, in the event that the assets attributable to a Co-Investment Series which are held directly by a Fund (rather than by a Master SPV), if any, were completely depleted by losses or liabilities, a creditor could enforce a claim against the other assets of the Fund which would be borne by the other investors that did not indirectly participate in the Co-Investment Series. Similarly, in the event that the assets attributable to the main portfolio of a Fund were completely depleted by losses or liabilities, the assets associated with the Co-Investment Series that are held directly by a Fund, if any, or, the shares or other ownership interests of the Master SPV owned by the Fund, as the case may be, could be seized by a creditor as collateral or the investors in the Co-Investment Series.

Co-Investments

Co-Investments involve certain risks. For example, in certain circumstances, Hudson Bay Capital and/or its affiliates could be liable for the actions of its Co-Investors, *e.g.*, if a Co-Investor fails to fund its portion of a Co-Investment, or Co-Investors may not bear (or may bear less than their proportionate share of) expenses incurred in relation to the sourcing, due diligence or negotiation of a Co-Investment, whether or not such Co-Investment is consummated. Such expenses that are not borne by such Co-Investors may increase expenses borne by the Funds and its investors.

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.

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 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.

In addition, Hudson Bay Capital and/or its affiliates expect to, from time to time, offer Hudson Bay Insiders the opportunity to indirectly invest in Co-Investments. Hudson Bay Capital and/or its affiliates expect to offer such Co-Investment opportunities when the size of the opportunity exceeds the amount of capital that Hudson Bay Capital or its affiliates believe should be invested by the Master Fund. Hudson Bay Capital has a conflict when determining which Hudson Bay Insiders, if any, it will offer Co-Investment opportunities.

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 and the Capital Structure 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.

In the event that Hudson Bay Capital determines that it believes that a Cross Trade is in the best interests of both of the Accounts involved and permitted under the governing documents, it may affect the Cross Trade subject to the following guidelines: (i) such transaction must be affected for cash consideration at the current market price of the particular securities, and (ii) no brokerage commissions or transfer fees are to be paid to Hudson Bay Capital in connection with any such transaction. In the event that there is no readily available market price for the securities involved in the trade, the securities are to be valued by an independent third party.

In the case of a Cross Trade, Hudson Bay Capital will have one of its brokers effect the transaction within the context of the market at a time that is fair to both Accounts involved in the transaction. The broker's commission will be borne equally by both Accounts.

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. Notwithstanding the foregoing, 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 and Hudson Bay Capital does not currently receive any "soft Dollar" services outside of the Section 28(e) safe harbor.

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 and Capital Structure 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 and Capital Structure 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.⁶

⁶ The ISS Proxy Voting Summary Guidelines can be accessed at <http://www.issgovernance.com/policy-gateway/voting-policies>.

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 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 issue; (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.