

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

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

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

Side Letters

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

Item 5. Fees and Compensation

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

The Multi-Strat Funds

Management Fee

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