

Incentive Allocation

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

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

Other Types of Fees and Expenses

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

The Capital Structure Management Fee; investment-related expenses of the Capital Structure Fund (*e.g.*, brokerage commissions, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, clearing and settlement charges, exchange fees, interest expenses and investment/research-related travel and travel-related expenses); research-related expenses, including, without limitation, research-related publications, data and news and quotation equipment and services and expenses for industry conferences, symposiums, meetings or similar gatherings (including travel-related and admission expenses); fees and expenses of the administrator and other third parties (including on and off-site contractors and consultants) providing administrative, accounting, operations and valuation services (including any valuation agent); legal expenses (including, without limitation, legal expenses relating to the offering of interests, investment activities, regulatory investigations and/or proceedings relating to the Capital Structure Fund or any other vehicle through which the Capital Structure Fund makes investments or enters into transactions, and regulatory reporting and compliance costs relating to the Capital Structure Fund or any other vehicle through which the Capital Structure Fund makes investments or enters into transactions, such as filing fees and expenses relating to Form PF and Section 13 filings); professional fees and expenses (including, without limitation, fees and expenses of consultants and experts); fees of the investors’ representative; systems and technology expenses (including, without limitation, investment-related systems and accounting, operations, risk and valuation systems and technology to the extent that they support proprietary or vendor supplied investment and/or research-related systems and processes, such expenses to include, for the avoidance of doubt, the fees and