

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