

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