

Events that do occur. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on the Corporate Value Fund's returns.

*Financing Arrangements; Availability of Credit*

The Corporate Value Fund may, with the consent of the Institutional Investor, use leverage in acquiring certain of its Investments. Actions by U.S. and other regulatory authorities have resulted in a significant reduction of available credit. Hudson Bay Capital has no ability to control such actions, and any reduction in available credit could have a material adverse effect on the Corporate Value Fund. Not only does a restriction of available financing make it more difficult for the Corporate Value Fund to obtain leverage for its Investments (if applicable), but it is also likely to diminish the number of Corporate Events (since Acquirors generally require access to leverage in order to attempt to enter into Corporate Events). There have been sustained periods when a constriction of available financing has resulted in a virtual elimination of Corporate Events, and such periods are likely to recur. Even if financing is available, it may become inordinately expensive, adversely affecting both the Corporate Event environment and the Corporate Value Fund.

*Market Illiquidity*

Not only can market illiquidity make it difficult, or inordinately expensive, for the Corporate Value Fund to acquire a sufficiently large position in a Corporate Event to justify the risk, but also it can make the court's determination of Fair Value — as well as negotiations relating to Fair Value in settlement discussions — materially more difficult and uncertain. Market illiquidity may also make it impossible or extremely expensive for the Corporate Value Fund to hedge its exposure to a pending Corporate Event or to initiate or liquidate a position to participate in potential profits or limit losses, as the case may be. Moreover, if the Corporate Value Fund in fact participates in an Appraisal Proceeding, the Corporate Value Fund must wait until such Appraisal Proceeding is prepaid, settled or finally resolved in court (which could require a number of years) in order to liquidate its Investment.

*"Risk of Ruin"*

Alternative investment strategies (such as the Strategy) are subject to a "risk of ruin" (*i.e.*, the risk that a previously low volatility and comparatively low risk strategy will incur sudden, dramatic and even total losses) to which traditional strategies generally are not exposed. Traditional strategies generally are materially correlated with overall equity and debt market movements, and while the equity and debt markets may experience major corrections, they are unlikely to experience sudden, dramatic and certainly not total losses.