

Strategy Risks

Limited Availability of Corporate Event Investments

As Corporate Events are generally transacted at a price agreed at arm's length between the Target and the Acquiror, the number of such Corporate Events in which Hudson Bay Capital identifies a material disparity between the Transaction Price and Fair Value may be few. Moreover, the competition for investing in such Corporate Events is intense. The Corporate Value Fund has a limited two-year commitment period. Depending on unpredictable market conditions, the Corporate Value Fund may be able to only make a strictly limited number of Investments. This limited time period, combined with the restriction that the Corporate Value Fund not invest more than 25% of the Capital Commitments in any given Corporate Event without the consent of the Institutional Investor, may result in Hudson Bay Capital not being able to invest all of the capital commitments.

Non-Consummation Risk

The Strategy — like many other “event driven” strategies — is subject to non-consummation risk. The Strategy will focus on investing in positions whose profitability depends on the acquisition of a Target and completion of the related Corporate Event on substantially the terms announced, thereby creating the potential for the disparity between the Transaction Price and Fair Value, which disparity is the driver of the Strategy. It is generally only after consummation that an Appraisal Proceeding can generate any meaningful profit potential. Corporate Events and their ultimate terms are affected by numerous factors, including not only market movements but also regulatory intervention, shareholder votes, changes in interest rates, management sentiment and economic outlook. If a contemplated Corporate Event to which the Corporate Value Fund has committed does not occur or occurs on substantially different terms from those anticipated, the Corporate Value Fund is likely to incur major losses. Not only will there be no related Appraisal Proceeding, but the value of the Target's stock acquired by the Corporate Value Fund in order to participate in the Appraisal Proceeding may decline materially, resulting in material losses despite Hudson Bay Capital's attempts to hedge this risk.

Corporate Events are often the subject of material regulatory scrutiny, due to anti-trust, minority shareholder protection and/or other considerations. Such scrutiny can delay or prevent the consummation of any given Corporate Event as well as cause material changes in its terms.

Appraisal Proceeding

The Strategy involves devoting considerable time and expense to pursuing Appraisal Proceedings, which are subject to all the vagaries, difficulties and expense of litigation. Even if a Corporate Event in which the Corporate Value Fund is invested is consummated, if the related Appraisal Proceeding is not favorably resolved, the Corporate Value Fund may incur significant losses as well as substantial fees and