

### *Legislative and Regulatory Scrutiny of Appraisal Proceedings*

Given its dependence on litigation (whether resulting in favorable settlements or court determinations), the Strategy has attracted more regulatory scrutiny and/or adverse publicity than many other alternative investment strategies. There are typically material and ongoing litigation/adversary proceedings involved in Appraisal Proceedings, and a number of critics have argued that the Strategy is not consistent with the purpose of the laws relating to Appraisal Proceedings — *i.e.*, prevention of the oppression of minority shareholders (not providing profits to speculators which invest in the Target solely with the objective of profiting from the Appraisal Proceeding). This scrutiny and adverse publicity could result in changes in Law in a number of jurisdictions that could reduce or eliminate the profit potential of the Strategy. Certain jurisdictions may, for example, reduce the statutory interest rate accrued on Appraisal Proceeding awards, which would correspondingly reduce the Strategy's profit potential.

### *Different Legal Protections*

Although Hudson Bay Capital expects that the bulk of the Corporate Value Fund's Investments will be in Targets/Acquirors subject to Delaware Law, a number may not be. The laws in different jurisdictions (for example, other states or countries) may not only be difficult to interpret but also materially less favorable to Appraisal Proceedings than those of Delaware — each of which may unexpectedly result in material losses on a given Investment.

### Risks Related to Certain Instruments Traded and Investment Techniques

#### *Equity Securities*

The bulk of the securities acquired by the Corporate Value Fund will be common stock, and the Corporate Value Fund's equity exposure will be substantial. Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous factors, influence the cost of equities. Moreover, in the case of the Strategy, equity market values may not correlate closely with either the Transaction Price or Fair Value.

#### *Options*

From time to time, Hudson Bay Capital may engage in hedging activities through the use of options and may also occasionally determine that it is more efficient to acquire a position in a Target through the use of options rather than (at least initially) taking outright stock positions. The prices of options are generally more volatile than the prices of the underlying equity; and market volatility and interest rates are fundamental components of options pricing.

#### *Derivatives in General*

The Corporate Value Fund may from time to time make use of various derivative instruments, such as convertible securities, options, futures, single-stock futures, forwards