

Inherent Uncertainty of Appraisal Proceedings

The outcome of Appraisal Proceedings is fundamental to the Strategy, and these are outcomes that are inherently uncertain. Hudson Bay Capital could have successfully identified a Corporate Event in which the Transaction Price was materially below the Fair Value, but the Appraisal Proceeding resulted in a costly or failed outcome due to procedural impediments, the poor quality of the Corporate Value Fund's legal representation, judicial discretion and/or other factors. Even if Hudson Bay Capital's investment analysis of a transaction is accurate, this by no means assures the success of the Strategy in investing in such transaction, which is dependent on numerous factors which are not only unpredictable by, but also perhaps unknown to, Hudson Bay Capital. In addition, the expense of prosecuting claims, for which there is no guarantee of success, will be borne by the Corporate Value Fund and may, in certain circumstances, require Partners to return to the Corporate Value Fund capital and earnings previously distributed. In some instances, Hudson Bay Capital hopes to mitigate the costs of Appraisal Proceedings by hiring counsel on a contingency or hybrid basis and using in-house resources where possible; however, contingency or hybrid fee arrangements, while reducing the outlay for litigation fees, can materially reduce the potential earnings of the Corporate Value Fund and ultimately cost more than if the Corporate Value Fund paid traditional attorneys' and experts' fees. In addition to attorneys' fees, the Corporate Value Fund will bear the numerous costs of bringing and maintaining the litigation, including court costs, the expense of document production, the fees and reimbursements of experts and other related costs.

Investing in Corporate Events between Publicly-Traded Companies

Substantially all of the Investments will be made in the securities of Targets that are involved in Corporate Events. Such situations can attract an unusually high degree of regulatory scrutiny (including into whether certain participants made illegal use of material non-public information ("MNPI")), which can disrupt the progress, delay the timing and/or preclude the consummation of, any given Corporate Event. Hudson Bay Capital's role in causing the Corporate Value Fund to invest in a given Corporate Event may also be the subject of regulatory scrutiny, which could lead to adverse publicity and/or enforcement proceedings against both Hudson Bay Capital and the Corporate Value Fund itself.

Material Non-Public Information

Hudson Bay Capital is involved in a wide range of investment activities and, in the course of doing so, may come — whether purposely or inadvertently — into possession of MNPI. If so, until such time as such information is no longer "material" or has become public, Hudson Bay Capital will be prohibited from transacting in the securities of the issuer in question. Such prohibition might not only prevent the Corporate Value Fund from participating in an Investment that might otherwise have been highly profitable, but also prevent Hudson Bay Capital from implementing hedges or liquidating open positions with respect to an Investment to which the Corporate Value Fund is already committed, resulting not only in "lost profits" but material losses.