SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

PUBLIC SECTOR PENSION INVESTMENT BOARD,	:	
Plaintiff,	:	Index No. 653216/2015
- against -	:	**AMENDED COMPLAINT**
SABA CAPITAL MANAGEMENT, L.P., SABA CAPITAL OFFSHORE FUND, LTD. and BOAZ WEINSTEIN,	:	
Defendants.	:	

Plaintiff Public Sector Pension Investment Board ("PSP"), by its attorneys, for its Amended Complaint against defendant Saba Capital Offshore Fund, Ltd. (the "Feeder Fund" or "Fund"), alleges upon knowledge with respect to itself and its own acts, and upon information and belief with respect to all other matters, as follows:

SUMMARY OF THIS ACTION

1. PSP brings this action to recover the damages it has suffered as a result of the Feeder Fund's breach of the contractual duties it owed to PSP as an investor in the Feeder Fund, a hedge fund managed by Saba Capital Management, L.P. ("Saba Management") and controlled by Boaz Weinstein ("Weinstein," together with Saba Management, "Saba"). The Fund engaged in this wrongdoing by artificially manipulating the value of PSP's investments in the Fund in order to benefit Saba at the expense of PSP.

2. As part of a master/feeder hedge fund structure, the Feeder Fund allocated substantially all of its assets to a master hedge fund (the "Master Fund"), also managed by Saba Management, that invested in securities across the capital structure of a

number of different companies. Under governing Fund organizational documents, the securities in the Master Fund's investment portfolio were to be valued by Saba in good faith in accordance with an applicable valuation policy.

3. PSP invested $500 million in the Feeder Fund, making it the Fund's largest investor. It became a Fund investor in February 2012, contributing initial capital of $300 million in exchange for Class A shares issued by the Fund with a reported net asset value of $300 million. PSP invested an additional $200 million in June 2013, receiving additional Class A shares of the Fund with a reported net asset value of $200 million.

4. After PSP made its investments, the fortunes of the Feeder Fund suffered a substantial decline. The $3.9 billion net asset value reported by the Fund in March 2012 fell to $1.5 billion by the summer of 2014. Those losses, net of redemptions, appeared to be unrelated to any market development that could or should have adversely affected the Fund's performance had the Fund been properly managed.

5. Concerned by the Fund's performance, representatives of PSP held a number of telephone conferences with Saba in late summer 2014 to obtain an explanation for the Fund's steep decline. Saba was unable to provide a satisfactory explanation, however, causing PSP to lose confidence in its ability to implement effective risk measures or maintain a properly constructed investment portfolio.

6. In January 2015, having reassessed its investment in the Feeder Fund, PSP notified Saba that it would seek to redeem one hundred percent of its shares in the Fund, effective March 31, 2015. Weinstein reacted to the redemption request with alarm because PSP owned a majority interest in the Fund, and the redemption of PSP's

shares would require Saba to sell more than half of the Master Fund's assets to satisfy both PSP's request and the pending redemption requests of a number of other Fund investors. A significant portion of the Master Fund's assets, however, were illiquid and could not be sold by Saba Management in an orderly fashion at fair value within the 65-day time frame specified in the Fund's organizational documents for the full redemption of PSP's shares.

7. In January 2015, in an effort to address the potential consequences of this illiquidity problem, which raised the specter of Saba dumping certain Master Fund assets in the market at fire sale prices to complete the requested redemptions, Weinstein asked PSP to consider partial redemptions of its Fund shares in three tranches over course of approximately 9 months, when Saba would conduct orderly sales of illiquid Master Fund assets so that PSP could receive redemption proceeds equal to the fair value of its shares. In contrast, under this proposal, the shares of the Fund's other redeeming investors would be fully redeemed within a single 65-day period as provided under the Fund's organizational documents.

8. PSP rejected Saba's proposal for disparate treatment of the investors redeeming in March 2015 and submitted to the Fund a formal written request for a full redemption of all of its Class A shares. In making this request, PSP emphasized to Weinstein that while it was insisting on a full redemption, it was not attempting to dictate to Saba the time frame or manner in which it should redeem PSP's shares. Rather, PSP explained that it hoped and expected Saba would take whatever time and steps it deemed necessary, in discharge of their fiduciary duties, to conduct the same redemption process for all redeemers in a manner and on a timetable that realized fair value for all

Fund investors, both redeeming and remaining. Weinstein assured PSP that Saba would work with PSP to achieve that objective, although it subsequently failed to do so.

9. In the first quarter of 2015, Saba decided to complete all outstanding requests for the redemption of Fund shares by March 31, 2015. As the March 31 deadline for completing the redemptions approached, however, Saba realized that it could not redeem PSP's shares at fair value, as required under the Fund's organizational documents, without potentially prejudicing the remaining, non-redeeming investors in the Fund. In order to placate those non-redeeming investors and avoid termination of the Fund, Saba determined to punish PSP and the other redeeming investors by artificially - - and drastically - - marking down certain illiquid corporate bonds held by the Master Fund to prices well below the fair value of the bonds as of March 31, 2015, thereby artificially depressing the amount to be paid to PSP in satisfaction of its full redemption request.

10. Shortly thereafter, Saba abruptly marked the bonds back up to values it had recorded immediately prior to PSP's redemption, and continued to mark them at those higher prices in the following months. Saba did so to stanch further investor defections and avoid the termination of the Fund, a step that apparently would have been necessary to enable Saba to realize fair value for all investors. This allowed Saba to, among other things, continue to receive management fees from the Fund and enhance the residual value of Weinstein's investments in the Fund and other affiliated hedge funds. As a result of Saba's self-dealing and the Fund's breach of contract, PSP incurred a substantial loss on its investment in the Fund, for which the Fund is liable.

JURISDICTION AND VENUE

11. This Court has jurisdiction over the subject matter of this action pursuant to New York Judiciary Law § 140-b. This Court also has jurisdiction because the unlawful conduct, as alleged in the Complaint, occurred in this State.

12. This Court may exercise personal jurisdiction over the Fund because it is transacting business in this State and the claims alleged herein arise out of its transaction of business in this State.

13. Venue of this action is proper in New York County pursuant to CPLR 503(a) because neither party resides in New York State.

THE PARTIES

14. Plaintiff PSP is a Crown Corporation incorporated under the Public Sector Pension Investment Board Act of Canada, with its principal place of business located in Montreal, Canada. It is a pension investment manager that invests the assets of the pension plans of the Canadian Forces, the Royal Canadian Mounted Police, the Reserve Force of Canada, and the Public Service of Canada. PSP invests those assets in a diversified global portfolio of securities and other asset classes.

15. The defendant Feeder Fund is an exempted company incorporated under the laws of the Cayman Islands. It is a private investment company, also known as a hedge fund, operated primarily for the benefit of non-U.S. investors such as PSP. As such, it is a feeder fund in a "master/feeder" fund structure that invests substantially all of its assets in Saba Capital Intermediate Fund (the "Intermediate Fund"), which in turn invests substantially all of its assets in Saba Capital Master Fund, Ltd. (the "Master Fund"). The Master Fund invests its assets to create an investment portfolio comprised

primarily of long and short positions in corporate debt, equity and related derivatives and structured securities.

NON-PARTY AGENTS OF THE FUND

16. Saba Management is a limited partnership organized under the laws of Delaware with its principal place of business located at 405 Lexington Avenue, New York, New York. It is the investment manager of the Feeder Fund, the Intermediate Fund, and the Master Fund, and is registered as an investment adviser with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. Saba manages the Feeder Fund, the Intermediate Fund and the Master Fund pursuant to Amended and Restated Investment Management Agreements, each dated October 27, 2010.

17. Saba Management is controlled by Weinstein, who also is chief investment officer ("CIO") of the Master Fund. Weinstein is located at 405 Lexington Avenue in Manhattan and, at all relevant times, has maintained investments in the Intermediate Fund and Saba Capital Partners, L.P. (the "Onshore Feeder Fund"), another feeder fund organized as a Delaware limited partnership that feeds into the Intermediate Fund and thus, ultimately, the Master Fund.

PLAINTIFF'S INVESTMENT IN THE FEEDER FUND

18. Following execution of a subscription agreement dated February 29, 2012 between PSP and the Feeder Fund (the "Subscription Agreement"), as supplemented by a supplement to the Subscription Agreement between PSP and the Fund dated February 29, 2012 (the "Supplement") and a side letter dated February 29, 2012 between and among PSP, the Fund and Saba Management (the "Side Letter"), PSP became an investor in the Feeder Fund. It did so by wiring $300 million to the Fund's

bank account in New York and receiving in exchange for that capital contribution Class A shares issued by the Fund with a reported net asset value ("NAV") of $300 million as of the date of issuance. On June 3, 2013, PSP subscribed for the purchase of additional Class A shares of the Fund with a reported NAV of $200 million, wiring $200 million to the Fund's bank account in New York to acquire those shares. The terms of those investments are set forth in the Subscription Agreement, the Confidential Offering Memorandum of the Fund, and the Memorandum and Articles of Association of the Fund (collectively, the "Fund Documents"), with additional terms found in the Supplement and the Side Letter.

19. The Fund Documents govern, among other things, the determination of the NAVs of the Feeder Fund and the Master Fund. As provided therein, Saba Management (under the supervision and control of Weinstein) is responsible for determining those NAVs in good faith in accordance with certain specified valuation rules, including rules for valuing the securities held in the investment portfolio of the Master Fund.

20. The Fund Documents also govern the Fund's redemption of the Class A shares held by fund investors such as PSP. As provided therein, each Class A shareholder has the right to redeem all or any portion of its Class A shares on 65 days' prior written notice to the Feeder Fund. Within thirty days of the applicable redemption date, a holder of Class A shares is entitled to receive from the Fund an amount equal to at least 95 percent of the estimated aggregate NAV of the shares as calculated by Saba Management, with the balance, together with interest thereon, within thirty days of

completion and receipt by the Fund of the annual audit of the Fund's financial statements for the fiscal year in which the redemption is made.

THE REDEMPTION OF PSP'S CLASS A SHARES

21. On or about January 23, 2015, PSP delivered to the Feeder Fund a notice of redemption of one hundred percent of its Class A shares as of March 31, 2015. As of that date, the value of the shares held by PSP represented approximately fifty-five percent of the NAV of the Saba Master Fund. Other shareholders of the Fund also had submitted timely notices to redeem their Fund shares as of March 31, 2015, representing approximately another fifteen percent of the Master Fund's NAV. Thus, as of March 31, 2015, the Master Fund was poised to abruptly lose approximately seventy percent of its NAV through the redemption of the shares of the Feeder Fund held in the aggregate by PSP and other shareholders of the Fund.

22. As of March 31, 2015, the investment portfolio of the Master Fund included a significant position in fixed income securities (the "MNI Bonds") issued by The McClatchy Company ("McClatchy"), the owner of Knight Rider Inc., among other newspaper publishers. The MNI Bonds are illiquid securities that are not listed on a national securities exchange nor quoted on NASDAQ, but are traded over the counter at prices made readily available to interested market participants by external pricing sources, such as independent pricing services and/or dealer quotations from a market maker or financial institution regularly engaged in the practice of trading or pricing the MNI Bonds (collectively, "External Pricing Sources").

23. The Fund Documents specified the policies and procedures for valuing the assets of the Master Fund and calculating the NAV of the Feeder Fund. Pursuant to the Fund Documents, prior to March 31, 2015, Saba marked the MNI Bonds

held by the Master Fund at prices obtained from External Pricing Sources without adjustment. When it came time to redeem the Class A shares of the Fund held by PSP, however, Saba abruptly changed course and valued the MNI Bonds in a manner inconsistent with their past practice. For the first time ever, Saba employed a bids-wanted-in-competition ("BWIC") process to solicit and obtain lowball bids for MNI Bonds, which Saba used to mark the bonds at prices well below fair value. Saba did so to reduce PSP's redemption proceeds and lower the concentration of MNI Bonds as a percentage of the Master Fund's portfolio without selling the bonds in the market at fire sale BWIC bid prices.

24. On March 31, 2015, having transacted a number of sales of MNI Bonds in the market earlier that month at prices ranging from 58-60, Saba launched a BWIC at approximately 12:30 p.m. Weinstein conducted that BWIC by sending instant messages to a limited number of broker-dealers, practically begging them to submit all or nothing bids on MNI bonds with a notional value of approximately $50 million by 3 p.m. the same day. The market's response to this 2½ hour BWIC for large quantities of illiquid bonds - - securities that had traded only sporadically in small lots for months - - was predictable, if not inevitable: three broker-dealers tendered fire sale bids ranging from approximately 22 to 31.

25. Armed with these rigged bids, Saba marked (but did not sell) the Master Fund's MNI bonds at the BWIC bid price of 31 for purposes of calculating the total redemption proceeds due to PSP as of March 31, 2015. That mark fell well below the price range of 50-60 indicated at or around the same time from a variety of sources, including the prices Saba obtained for the bonds in actual market transactions, quotes

obtained from External Pricing Sources, the marks placed on the bonds in Saba's own internal records by its own employees, the fair value estimates for the bonds provided by Saba's own independent valuation consultant, and Saba's own admitted view of the fair value of the bonds.

26. After shortchanging PSP by orchestrating depressed BWIC bids, Saba attempted to repair the damage it inflicted on the MNI Bond market by means of the March BWIC. To that end, Saba returned to the market to engage in orderly market transactions for the sale of the bonds. As a result, less than one month later, in April 2015, Saba was able to book multiple MNI bond sales at prices ranging from 53.75-55.75. By April month end, Saba internally marked one series of the bonds (maturing in 2029) at 52 and the other (maturing in 2027) at 49.5. And in the following months of 2015, the Master Fund continued to sell significant amounts of the MNI Bonds at market prices far greater than the BWIC mark of 31 and much closer to the fair value of that security.

27. In sum, Saba used the BWIC process in a bad faith attempt to justify a drastic and inappropriate one-time markdown of the MNI Bonds held by the Master Fund, thereby depriving PSP of the full amount it was entitled to receive upon redemption of its Class A shares of the Fund as of March 31, 2015. By reason of this unlawful conduct, PSP has suffered substantial damages.

FIRST CAUSE OF ACTION
[Against the Fund for Breach of Contract]

28. PSP repeats and realleges, as if fully set forth herein, the allegations of all of the preceding paragraphs of this Complaint.

29. The Fund Documents comprise a valid, binding and enforceable contract between PSP and the Fund.

30. Under the Fund Documents, in response to PSP's redemption request, the Fund was obligated to redeem all Class A shares of the Fund owned by PSP at a price equal to the NAV of the shares as of March 31, 2015, calculated in good faith in accordance with the Fund Documents.

31. Although PSP fully performed all of its obligations under the Fund Documents, the Fund directly, deliberately and materially breached its contract with PSP by failing to calculate the Fund's NAV as of March 31, 2015 in good faith in accordance with the Fund Documents, thereby purporting to reduce the redemption proceeds due to PSP for its Class A shares.

32. By reason of the foregoing, PSP has been injured and has suffered damages in an amount to be determined at the trial of this action.

WHEREFORE, PSP demands judgment:

I. Awarding PSP compensatory damages against the defendant Feeder Fund on the First Cause of Action in an amount to be determined at trial, plus prejudgment interest;

II. Awarding PSP its reasonable attorneys' fees and costs incurred in maintaining this action; and

III. Granting PSP such other and further relief as this Court deems just and proper.

Dated: New York, New York
December 6, 2016

SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP

By:/s/ Seth M. Schwartz
Seth M. Schwartz
4 Times Square
New York, New York 10036
(212) 735-3000

Attorneys for Plaintiff
Public Sector Pension Investment Board