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

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

Plaintiff Public Sector Pension Investment Board (the "Pension Board" or "Board"), by its attorneys, for its complaint against defendants Saba Capital Management, L.P. ("Saba Management"), Saba Capital Offshore Fund, Ltd. ("Saba Offshore Feeder Fund" or the "Fund"), Saba Capital, LLC and Boaz Weinstein, 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. The Pension Board brings this action to recover the damages it has suffered as a result of defendants' breaches, or their culpable participation in breaches, of the contractual and fiduciary duties they owed to the Board as an investor in the Saba Offshore Feeder Fund, a hedge fund managed by defendant Saba Management. Defendants engaged in this wrongdoing by artificially manipulating the value of the

Board's investments in the Fund in order to benefit defendants at the expense of the Board.

2. The Pension Board invested $500 million in the Saba Offshore 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. The Board invested an additional $200 million in June 2013, receiving additional Class A shares with a reported net asset value of $200 million.

3. After the Pension Board made its investments, the fortunes of the Saba Offshore Feeder Fund suffered a substantial decline. The $3.9 billion net asset value reported by the Fund in March 2002 shrunk to $1.5 billion by the summer of 2014. Those losses 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.

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

5. In early 2015, having reassessed its investment in the Saba Offshore Feeder Fund, the Pension Board submitted a request to the Fund for the redemption of one hundred percent of the Class A shares owned by the Board, effective March 31, 2015. Defendants reacted to the request with alarm because the Board's shares

represented a significant portion of the Fund's assets under management as of that effective date. In an effort to avoid prompt disclosure of this significant withdrawal to the Fund's other investors, defendants asked the Pension Board to redeem its shares in three installments, one-third at a time. The Board rejected this request and insisted on a full redemption of all of its Class A shares to protect its interests and ultimately those of its own stakeholders. Defendants agreed to proceed with a full redemption, but improperly manipulated the values of certain of the Fund's assets with the objective of artificially depressing the amount to be paid to the Board in satisfaction of its full redemption request.

6. In the first phase of this manipulation, defendants arbitrarily recorded a material markdown of the value of certain corporate bonds comprising a significant portion of the investment portfolio held for the benefit of the Saba Offshore Feeder Fund and its investors. Defendants engineered this one-time markdown in bad faith to deprive the Pension Board of the full amount of the redemption proceeds it was entitled to receive based on the value of the Fund's assets as of March 31, 2015. Just one month later, defendants abruptly marked the bonds back up to the values they recorded immediately prior to the redemption. They did so to stanch further investor defections from the Fund and to directly benefit themselves by boosting the residual value of their investments in the Fund and other affiliated hedge funds with exposure to the same bonds. As a result of defendants' self-dealing, the Pension Board incurred a substantial loss on its investment in the Fund, for which defendants are liable.

JURISDICTION AND VENUE

7. 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

defendants are located in New York and their unlawful conduct, as alleged in the Complaint, occurred in this State.

8. This Court may exercise personal jurisdiction over the defendants because they are doing business in this State and the claims alleged herein arise out of their transaction of business in this State.

9. Venue of this action is proper in New York County pursuant to CPLR 503(c) because one or more of the defendants reside for venue purposes in Manhattan.

THE PARTIES

10. Plaintiff Pension Board 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. The Board invests those assets in a diversified global portfolio of securities and other asset classes.

11. Defendant Saba Offshore 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 the Pension Board. 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. ("Saba Master Fund" or 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.

12. Defendant 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 Saba Offshore Fund, the Intermediate Fund, and the Saba Master Fund, and is registered as an investment adviser with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. Subject to the supervision of defendant Saba Capital, LLC, Saba Management manages the Saba Offshore Feeder Fund, the Intermediate Fund and the Saba Master Fund pursuant to Amended and Restated Investment Management Agreements, each dated October 27, 2010.

13. Defendant Saba Capital, LLC is controlled by defendant Boaz Weinstein (collectively, "Weinstein"), who also controls Saba Management. 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 SABA OFFSHORE FEEDER FUND

14. Pursuant to a subscription agreement dated February 29, 2012 between and among the Pension Board, the Saba Offshore Feeder Fund and the Saba Master Fund, as supplemented by a certificate and a side letter, both also dated February 29, 2012 (collectively, the "Subscription Agreement"), the Pension Board became an investor in the Saba Offshore 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, the Board 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").

15. The Fund Documents govern, among other things, the determination of the NAVs of the Saba Offshore Feeder Fund and the Saba 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 Saba Master Fund.

16. The Fund Documents also govern the Fund's redemption of the Class A shares held by fund investors such as the Pension Board. 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 Saba Offshore 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 PENSION BOARD'S REDEMPTION OF ITS CLASS A SHARES

17. On January 23, 2015, the Pension Board delivered to the Saba Offshore 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 the Pension

Board 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 Saba Offshore Feeder Fund held in the aggregate by the Pension Board and other shareholders of the Fund.

18. As of March 31, 2015, the investment portfolio of the Saba Master Fund included a significant position in fixed income securities (the "MNI Bonds") issued by The McClatchy Company, 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").

19. Under the provisions of the Fund Documents applicable to valuing the assets of the Saba Master Fund and calculating the NAV of the Saba Offshore Feeder Fund, defendants agreed to value the MNI Bonds by using External Pricing Sources. Pursuant to those provisions, prior to March 31, 2015, defendants marked the MNI Bonds held by the Master Fund at prices obtained from External Pricing Sources without adjustment for any liquidity discount. When it came time to redeem the Class A shares of the Fund held by the Pension Board, however, defendants abruptly changed course and

valued the MNI Bonds in a manner inconsistent with their past practice, *i.e.*, they shopped for lowball bids that purportedly reflected liquidity discounts in order to reduce the aggregate amount of redemption proceeds payable to the Pension Board and the other redeeming Fund investors. Specifically, to calculate the NAV of the Class A shares of the Fund in satisfaction of the pending requests to redeem those shares as of March 31, 2015, defendants deviated from their past practice by using for the first time a different method for valuing the MNI bonds in the Master Fund's portfolio, namely, they used a bids-wanted-in-competition ("BWIC") process that purportedly produced materially depressed bids reflecting a significant liquidity/blockage discount from the values previously assigned by defendants to the Master Fund's holdings of MNI Bonds.

20. Although defendants did not sell the MNI Bonds held by the Master Fund in order to satisfy any of the requests for redemption pending in the first quarter of 2015, they purported to value the Master Fund's bonds through a BWIC process and purported to mark the bonds at 31 as of March 31, 2015, a fraction of the value previously and consistently assigned to the bonds by defendants when calculating the Master Fund's NAV previously in the first quarter of 2015. As defendants well knew, the BWIC mark of 31 also fell well below the price range of 50-60 contemporaneously quoted by External Pricing Sources. Defendants nevertheless ignored those sources and took the unprecedented step of relying on the BWIC mark to value the MNI Bonds, thereby arbitrarily depressing the reported NAV of the Pension Board's Class A shares as of March 31, 2015.

21. After accomplishing their illicit objective of shortchanging the Pension Board, defendants wasted no time in abandoning the BWIC process as their

source for valuing the MNI Bonds. Less than one month later, in April 2015, defendants once again used External Pricing Sources to mark the bonds back up to prices in the 50s with the objective of discouraging further investor redemptions and increasing the residual value of defendants' remaining investments in the Onshore Feeder Fund and the Intermediate Fund.

22. In sum, defendants 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 the Pension Board 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 defendants' unlawful conduct, the Pension Board has suffered substantial damages.

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

23. The Pension Board repeats and realleges, as if fully set forth herein, the allegations of all of the preceding paragraphs of this Complaint.

24. The Fund Documents comprise a valid, binding and enforceable contract between and among the Pension Board, the Saba Offshore Feeder Fund and Saba Management.

25. Subject to restrictions in the Fund Documents not applicable here, Saba Offshore Feeder Fund and Saba Management were obligated, in response to the Pension Board's redemption request, to redeem all of the Class A shares of Saba Offshore Fund owned by the Pension Board at a price equal to the NAV of the shares as of March 31, 2015, calculated in good faith in accordance with the procedures set forth in the Fund Documents.

26. Although the Pension Board fully performed all of its obligations under the Fund Documents, Saba Offshore Fund and Saba Management directly, deliberately and materially breached their contract with the Pension Board by failing to calculate the Fund's NAV as of March 31, 2015 in accordance with the Fund Documents, thereby purporting to reduce the redemption proceeds due to the Board for its Class A shares. They did so in bad faith, in a deliberate and self-interested attempt to artificially reduce the amount of redemption proceeds to be paid out to the Pension Board and to increase the reported NAVof Weinstein's remaining investment in the Onshore Feeder Fund and the Intermediate Fund.

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

SECOND CAUSE OF ACTION
[Against Weinstein for Tortious Interference With Contract]

28. The Pension Board repeats and realleges, as if fully set forth herein, the allegations of all of the preceding paragraphs of the Complaint.

29. The Fund Documents comprise a valid, binding and enforceable contract between and among the Pension Board, the Saba Offshore Feeder Fund and Saba Management.

30. The Saba Offshore Feeder Fund and Saba Management directly, deliberately and materially breached their contract with the Pension Board by failing to discharge in good faith their obligation to redeem the Board's Class A shares at their NAV as of March 31, 2015 calculated in accordance with the valuation procedures and practices mandated under the Fund Documents.

31. Weinstein was well aware of the Fund Documents and the obligations of Saba Management and the Saba Offshore Feeder Fund under that contract given his control over and supervision of those defendants.

32. Weinstein intentionally, without justification and to further his own personal interests, caused Saba Management and the Offshore Feeder Fund to breach their contractual obligations under the Fund Documents by causing those defendants to miscalculate the NAV of the Board's Class A shares of the Fund as of March 31, 2015 in derogation of the requirements under the Fund Documents for calculating NAV.

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

THIRD CAUSE OF ACTION
[Against Saba Management for Breach of Fiduciary Duty]

34. The Pension Board repeats and realleges, as if fully set forth herein, the allegations of all of the preceding paragraphs of this Complaint.

35. Separate and apart from its contractual obligations to the Pension Board under the Fund Documents, Saba Management owed directly to the Pension Board, as a shareholder of the Saba Offshore Feeder Fund, the duty to act in good faith in the management and administration of the Fund and in the investment and return of the Pension Board's assets. To that end, Saba Management owed the Pension Board a duty to act in good faith and to use sound valuation practices when calculating the NAV of the Pension Board's Class A shares in connection with the Board's exercise of its right as a Fund shareholder to redeem those shares as of March 31, 2015.

36. All of the foregoing duties were delegated by the Fund's Board of Directors to Saba Management, which agreed to assume them for the benefit of the Pension Board. In addition, in January 2015, after receiving the Pension Board's redemption request, Saba Management assured the Pension Board that it would act to protect all investors, including the Board, in connection with the Board's redemption request and would work directly with the Board to maximize the value the Board would receive for its Class A shares upon redemption. In light of defendants' touted investment management expertise, the Pension Board relied on defendants to discharge these duties in good faith in furtherance of the best interests of the Board.

37. Saba Management breached the fiduciary duties it owed to the Pension Board by incorrectly and falsely reporting the NAV of the Pension Board's Class A shares of March 31, 2015. It did so in bad faith by means of arbitrarily marking down the value of the MNI Bonds in the investment portfolio of Saba Master Fund in a manner inconsistent with Saba Management's past practice of valuing the bonds.

38. In marking down the MNI Bonds, Saba Management acted in bad faith and beyond the bounds of reason, in a self-interested attempt to artificially reduce the amount of redemption proceeds to be paid out to the Pension Board and to enhance the residual value of Weinstein's remaining investment in the Onshore Feeder Fund and the Intermediate Fund.

39. The Pension Board has suffered direct injury as a direct result of Saba Management's wrongful conduct, namely, the redemption of the Pension Board's Class A shares of the Fund at a price far below the properly calculated NAV of the shares.

40. By reason of the foregoing, the Pension Board is entitled to judgment against Saba Management awarding the Pension Board compensatory damages in an amount to be determined at the trial of this action.

FOURTH CAUSE OF ACTION
[Against Weinstein for Aiding and Abetting a Breach of Fiduciary Duty]

41. The Pension Board repeats and realleges, as if fully set forth herein, the allegations of all of the preceding paragraphs of this Complaint.

42. Weinstein knew that Saba Management owed fiduciary and other obligations to the Pension Board in connection with managing the affairs of the Fund, including with respect to the redemption of the Class A shares of the Fund held by the Board as of March 31, 2015.

43. With such knowledge, Weinstein knowingly participated, aided and abetted, and otherwise conspired to cause Saba Management's breaches of its fiduciary obligations to the Pension Board by, among other things, causing Saba Management to improperly calculate the NAV of the Board's Class A Fund shares as of March 31, 2015 in order to personally benefit Weinstein at the expense of the Board.

44. By reason of the foregoing, the Pension Board has been injured and has suffered damages in an amount to be determined at trial.

WHEREFORE, the Pension Board demands judgment:

I. Awarding the Pension Board compensatory damages against defendants Saba Management and the Saba Offshore Feeder Fund, jointly and severally, on the First Cause of Action in an amount to be determined at trial, plus prejudgment interest;

II. Awarding the Pension Board compensatory damages against defendants Saba Capital, LLC and Boaz Weinstein, jointly and severally, on the Second Cause of Action in an amount to be determined at trial, plus prejudgment interest;

III. Awarding the Pension Board compensatory damages against Saba Management on the Third Cause of Action in an amount to be determined at trial, plus prejudgment interest;

IV. Awarding the Pension Board compensatory damages against defendants Saba Capital, LLC and Boaz Weinstein, jointly and severally, on the Fourth Cause of Action in an amount to be determined at trial, plus prejudgment interest;

V. Compelling defendants to disgorge the profits they have derived from the illegal and inequitable conduct giving rise to this action;

VI. Awarding the Pension Board its reasonable attorneys' fees and costs incurred in maintaining this action; and

VII. Granting the Pension Board such other and further relief as this Court deems just and proper.

Dated: New York, New York
September 25, 2015

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