

400 Capital Management LLC

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This Brochure provides information about the qualifications and business practices of 400 Capital Management LLC (“400CM”). If you have any questions about the contents of this Brochure, please contact 400CM’s Chief Compliance Officer (“CCO”), Bill Sanders at (212) 612-3101 or by e-mail at bsanders@400capital.com. Additional information about 400CM also is available on the SEC’s website at www.adviserinfo.sec.gov. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration of an Investment Adviser does not imply that 400CM or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Item 2: Material Changes

Because this is our first brochure prepared using the SEC's revised Form ADV Part 2A, we have no material changes in prior filings to report.

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Item 4: Advisory Business

Founded in 2008, 400 Capital Management LLC (“**400CM**” or “**we**”, “**us**” or “**our**”), is a Delaware limited liability company that currently provides discretionary investment advisory services and management services to privately pooled investment vehicles (each a “**Fund**” and collectively, the “**Funds**”). We also manage separate accounts for selected institutional clients (“**Managed Account Clients**”). Collectively, we refer to the Funds and Managed Account Clients as the “**Client Accounts**.” Although the investment strategies for the Client Accounts are similar there are significant differences in each Client Accounts’ objectives, therefore, we generally do not allocate investments or trades on a pari passu basis amongst the Client Accounts.

The members of 400CM and their approximate membership interests are as follows:

Chris Hentemann	33%
Bill Sanders	20%
Alex Cha	20%
Todd Leh	20%
Heloisa Chaney	6%
Kai Fung	1%

As of December 31, 2011, we managed US\$303,491,772 in regulatory assets under management, all of which are managed on a discretionary basis.

Item 5: Fees and Compensation

400CM generally charges each Client Account a monthly or quarterly management fee at an annual rate ranging from 1.5% to 2% of the net assets of the Client Account. Relating specifically to the Funds, the management fee is dependent on each investor’s “Series Interest” in a particular Fund. Management fees are charged each month or quarter in advance based on the total market value of the assets in the Client Account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the month or quarter, as applicable. The management fee will be prorated for additions to and withdrawals from a Client Account during a month or quarter, as applicable.

Fees are deducted from the Funds by instructing the Funds’ custodian. Our Managed Account Clients generally pay us after having been invoiced for our services or after having calculated the amount they owe us subject to our approval.

Although fees generally are not subject to negotiation, we reserve the right to waive or impose different fees or otherwise modify the fee arrangements of an existing investor with the consent of such investor.

Expenses

The Funds shall pay for their organizational and initial offering expenses as well as for their operating expenses, including but not limited to, all accounting, auditing, tax preparation, legal, administration, research, and trading costs. The Funds may incur brokerage and other transaction costs. For further details on the Firm’s brokerage practices refer to Item 12 of this Brochure.

In addition to being charged a management fee, the Funds reimburse us for annual fees and expenses of up to 0.75% of the total assets under management. These fees and expenses may include: the management fee; legal, compliance (including expenses related to compliance software) for the Funds, audit and accounting expenses for the Funds (including third party accounting services); organizational expenses; administrator fees and expenses; investment expenses such as commissions, research fees and expenses (including Bloomberg and similar subscriptions and data services and research related travel); risk management expenses (including expenses related to risk management software); order management systems, as well as other analytical systems; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; Fund-related insurance costs (including D&O insurance costs); and any other expenses related to the purchase, sale or transmittal of the Funds' assets.

Item 6: Performance-Based Fees and Side-By-Side Management

An affiliate of the Firm receives a performance allocation with respect to each Client Account that is calculated based upon a percentage of the net capital appreciation of the relevant Client Account. The performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

Net asset value includes net realized and unrealized profits and losses. Net profits are calculated net of management fees, but before the performance allocation.

Performance based fee arrangements may create an incentive for 400CM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. 400CM has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. These procedures include requiring that similarly managed accounts participate in investment opportunities pro rata based on asset size and requiring that, to the extent orders are aggregated, the orders for the Funds are price-averaged. 400CM's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the CCO.

No other hourly, flat or asset-based fees are charged to the Client Accounts.

Item 7: Types of Clients

We consider the Funds and the Managed Account Clients to be our clients. Investors in the Funds consist primarily of institutional investors, high net worth individuals, and endowments. The Funds advised by 400CM rely on a 3(c)(7) exemption, investors must meet the requirements as an “accredited investor” under the Securities Act of 1933 (as amended the “**1933 Act**”) for a “qualified purchaser” under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The Managed Account Clients consist of institutions, foundations and high net worth individuals.

To invest in the Funds, we generally require a minimum investment of \$5,000,000; although we reserve the discretion accept less.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Investment Objectives

Our investment objective is to earn significant positive returns by investing in secured credit instruments including residential and commercial mortgage loans and securities, consumer loans and asset-backed securities, structured credit products, and related and performing distressed portfolios. We may take both long and short positions, driven by fundamental, quantitative, and economic research and proprietary analytics. We may use interest rate swaps, credit default swaps and market indexes to hedge interest rate and credit risks. We may employ leverage in the execution of this strategy. We do not tailor our investment management strategies to suit the needs of individual clients and will not enter into investment management agreements that impose restrictions on our trading frequency or the volatility of our trading results, but we have periodically entered into investment management arrangements that provide that we will not trade in certain kinds of securities that do not figure in our trading strategies.

We generally pursue relative value and absolute value investment programs to achieve our objectives.

Relative value is a trading strategy designed to exploit dislocated or misaligned pricing among securities in the investment universe. We will primarily focus on buying and selling securities. We will actively seek to identify overvalued and undervalued securities using proprietary and third-party analytical models, purchase securities determined to be undervalued, and sell securities determined to be overvalued. We may take long or short positions in cash bonds, derivatives, or indexes.

Absolute value is an investment strategy designed to take advantage of opportunities to purchase and workout performing or non-performing portfolios of securities, commercial or residential mortgages, or consumer loans or receivables. The strategy involves performing comprehensive due diligence and may require investing on a partnership basis with specialized servicers or special asset managers. Investments may take over a year to be realized.

Our investment strategies revolve around three core functions:

- (1) Research and Quantitative Modeling;
- (2) Portfolio Management; and
- (3) Analytics, Surveillance and Loss Mitigation.

Our investment professionals have been successful in the past integrating economic and market research with loan-level prepayment, delinquency, and default analysis to identify attractive investment opportunities. We anticipate using a combination of similar proprietary and third-party models and systems to analyze potential investments and evaluate performance risks on an ongoing basis.

Risk Management

We constantly monitor the positions in the portfolios of the Client Accounts and attempt to manage risk by constructing and actively managing the portfolios through our proprietary processes.

The risk management objective seeks to achieve the optimal return while managing volatility of returns and Client Accounts. We believe that active surveillance of the portfolios is a key

determinant to our ability to identify and mitigate potential problems or losses. As a result, we expect to conduct active surveillance on every position in the portfolio and determine acquisition price and hedging strategies.

Risk Factors

The following are certain of the material risks involved in 400CM's investment strategy. This list does not purport to be a complete enumeration or explanation of the risks involved in such strategy.

Limited Rights of Investors

Substantially all decisions with respect to the management of the Client Accounts are made exclusively by us. Investors in the Funds have no right or power to take part in the management of the Funds. We also make all of the trading and investment decisions of the Client Accounts. In the event of our withdrawal or bankruptcy, generally the Funds will be liquidated.

Nature of Investments and Limited Rights of Investors

Investments will primarily consist of investments in fixed income securities and other financial instruments, including, without limitation, asset and mortgage backed securities, consumer and commercial loans and receivables, high yield investments and related synthetic instruments, and credit linked notes that may be affected, among other things, by business, financial market or legal uncertainties. There can be no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Client Accounts' activities and the value of its investments.

Long-Term Investments

The Funds will frequently require longer-term holding periods for its positions in order to be successful and positions may experience considerable price volatility over such holding periods. An investment in a Fund, therefore, may not be appropriate for investors requiring short-term liquidity or stable returns.

Operational Risk

Operational risk is the potential for loss caused by a deficiency in information, communication, transaction processing and settlement and accounting systems. We (or our agents) maintain controls that include systems and procedures to record and reconcile transactions and positions, and to obtain necessary documentation for trading activities.

Performance Based Fee

As described in Item 5, we charge the Client Accounts a performance based fee. A performance based fee arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

Illiquid Portfolio Investments

We may invest in securities or loans that either lack a readily assessable market value or should be held until the resolution of a special event or circumstance. However, we may not be able to readily dispose of such investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. We may designate such investments "Special Investments."

A withdrawing Investor with an interest in a Special Investment (illiquid with little or no immediate market activity to allow for immediate liquidation) will not receive any amount in respect of such interest until the related Special Investment is realized or deemed realized. In addition, we may have difficulty selling illiquid securities and other investments, perhaps causing us to have difficulty in meeting redemptions of Investors.

Use of Leverage

We leverage investment positions by borrowing funds from securities broker-dealers, banks or others. While leverage presents opportunities for increasing the total return on an investment, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by the Client Account would likely be magnified to the extent that any of them are leveraged.

Non-Diversification

In general, we are not subject to limitations on the percentage of assets we may invest in a particular security. Being concentrated in a small number of securities, options or futures, exposes a portfolio to the risk of adverse developments in or affecting a single issuer or industry to a greater extent than if the investments were diversified over a large number of issuers and industries.

Short Selling Increases Risk of Capital Losses

We will effect short sales. Short selling, or the sale of securities not owned by the Client Account involves certain additional risks. Such transactions expose the Client Account to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein 400CM might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Non-U.S. Investments

Investment in non-U.S. issuers or securities principally traded outside the U.S. will likely involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and

companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets.

Item 9: Disciplinary Information

Neither we nor any of our management personnel are subject to or have in the past been subject to any criminal or civil action in any domestic or foreign court, and neither we nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

Item 10: Other Financial Industry Activities and Affiliations

Mr. Hentemann is the primary owner and manager of 400 Capital GP, LLC the general partner of the Funds and he serves as a director for our offshore Funds. We have no other financial industry affiliations.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Participation or Interest in Client Transactions

We serve as the investment adviser to the Funds. Employees, affiliates of the employees, and relatives of the employees may make investments in the Funds.

In addition, the Firm's related persons may invest in the same securities (or related securities) that the Firm recommends to the Funds. Such practices present a conflict where a related person is in a position to trade in a manner that could adversely affect the Funds (e.g., by placing its own trades before or after Fund trades are executed in order to benefit from any price movements due to a Funds' trades). In addition to affecting the related person's objectivity, these practices by the related person may also harm the Funds by adversely affecting the price at which the Funds' trades are executed. The Firm has adopted a pre-clearance policy, as discussed below, in an effort to minimize such conflicts.

Code of Ethics Pursuant to Rule 204A-1 of the Advisers Act

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics and Employee Investment Policy that establishes various procedures with respect to investment transactions in accounts in which employees of 400CM or related persons have a beneficial interest or accounts over which an employee has investment discretion.

The foundation of the Code of Ethics is based on the underlying principles that:

- Employees must at all times place the interests of the clients first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Code of Ethics and Employee Investment Policy; and
- Employees should not take inappropriate advantage of their position at 400CM.

All 400CM employees (and members of their immediate households) are deemed to be "Access Persons" and are required to adhere to a comprehensive Code of Ethics and Employee Investment Policy, which covers the duty of confidentiality as well as personal

trading. All employees are required to certify their adherence to the Code of Ethics and Employee Investment Policy upon commencement of employment and quarterly thereafter. Further, all employees are required to instruct their brokers to deliver transaction confirmations and statements directly to 400CM's CCO. The Employee Investment Policy also places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the CCO on a periodic basis, and that employees pre-clear certain types of personal securities transactions with the CCO.

400CM's Code of Ethics and Employee Investment Policy is available upon request.

Privacy Policy

We are committed to maintaining the confidentiality, integrity and security of our investor's personal information. It is our policy to collect only information necessary or relevant to our management business and use only legitimate means to collect such information. We do not disclose any non-public personal information about our investors or former investors to anyone except for servicing and processing transactions and as required by law. We restrict access to non-public personal information about investors to those employees with a legitimate business need for the information. We maintain security practices, physical, electronic, and procedural safeguards to guard Investor's non-public personal information.

Upon request, we will provide you with a copy of our privacy policy.

Item 12: Brokerage Practices

As an adviser and a fiduciary to our clients, our clients' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the client's favor. We have adopted the following policies and practices to meet our fiduciary responsibilities and to insure our trading practices are fair to all clients and that no client or account is advantaged or disadvantaged over any other.

Investment and Brokerage Discretion

400CM is authorized to determine the broker or dealer to be used for each securities transaction for the Investment Vehicles. In selecting brokers or dealers to execute transactions, 400CM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

Best Execution

As a fiduciary, we have an obligation to seek best execution of the Client Accounts' transactions under the circumstances of the particular transaction. To fulfill this duty, we execute securities transactions for the Client Accounts in such a manner that the Client Accounts' total cost or proceeds in each transaction is the most favorable under the circumstances.

Best Execution is determined on a trade-by-trade basis, and should result in best qualitative execution, not necessarily the lowest possible commission cost. A key element of the duty of best execution is obtaining the best price at which each security transaction is executed. Best price is considered to be the highest price that a client can sell a security and the lowest price that a client can purchase a security. Other components of best execution are securing low commission rates, as well as timeliness of having a transaction executed by a

broker, the value of research provided, the responsiveness of the broker to 400CM and the financial responsibility of the broker.

Soft Dollar Policy

We do not currently utilize soft dollars.

Aggregation of Orders

When appropriate, we may, but are not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients Accounts participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

The Funds will maintain accounts at JP Morgan Clearing Corp. through which the Funds may execute trades, borrow securities and maintain custody of its securities.

On behalf of the Funds, we reserve the right, in its sole discretion, to change its brokerage and custodial arrangements without further notice to investors.

400CM will perform investment management services for various clients. There will be occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by 400CM, some of which accounts may have similar investment objectives. Such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts.

Allocation

Our policy prohibits any allocation of trades in a manner that would cause our proprietary accounts, affiliated accounts, or any particular Client Account or group of Client Accounts to receive more favorable treatment than other Client Accounts.

When appropriate and practical we allocate trades for the Client Accounts on a pari passu basis based on assets under management with the allocations being set on a continual basis. However, as noted earlier, although the investment strategies for the Clients Accounts are similar there are significant differences in each Client Accounts' objectives, therefore, we generally do not allocate investments or trades on a pari passu basis amongst the Client Accounts.

400CM Capital Management LLC does not intend to execute principal trades or cross trades.

Trade Errors

We will determine an appropriate method to correct an error in light of the facts and circumstances and on a case-by-case basis.

Item 13: Review of Accounts

Review of Accounts

We review and reconcile the portfolios of the Client Accounts on a continual basis to assure conformity with investment objectives and guidelines.

We engage in active management for the Client Accounts and, accordingly, review our transactions, positions and cash balances on a daily basis.

Reporting

We will distribute an audited financial report for each Fund with respect to the previous fiscal year to all investors within 120 days of year-end. In addition, each Fund will generally distribute net asset value updates on a monthly basis.

Item 14: Client Referrals and Other Compensation

Direct Access Partners currently serve as a placement agent for the 400CM Funds and receive a portion of our management and incentive fees as compensation for its services. Direct Access Partners is not authorized to, and do not, solicit managed account clients for us; however, if an institutional client requests a managed account arrangement and we agree to that request, we will compensate the placement agent with respect to such a managed account client as well as with respect to investors in the 400CM Funds. The fees we pay to our placement agents do not result in an increase in the management and incentive fees paid by our investors or a managed account client, and neither our investors nor clients pay fees to Direct Access Partners directly.

Item 15: Custody

We will comply with the requirements of the Rule 206(4)-2 of the Advisers Act with regards to custody of assets of the Investment Vehicles ("**Custody Rule**").

We currently use JP Morgan Clearing Corp as our prime broker and custodian. Through this arrangement JP Morgan will provide among other things, clearing, custodial and record keeping services. Annually, upon completion of each hedge fund's annual audit, 400CM will distribute the audited financials along with copies of the limited partners K-1s.

The CCO shall ensure that the Investment Vehicles' audited financials are delivered to all investors (within 120 days of the fiscal year end).

Item 16: Investment Discretion

As previously noted, we have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions paid. These terms are set out in the Confidential Private Placement Memorandum for each Fund and an investment management agreement for Managed Account Clients.

Item 17: Voting Client Securities

To the extent 400CM has been delegated proxy voting authority on behalf of its clients, 400CM complies with its proxy voting policies and procedures that are designed to ensure that in cases where 400CM votes proxies with respect to client securities, such proxies are voted in the best interest of the Funds. The investors in the Fund may not direct voting of proxies.

Upon request, we will provide clients with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

Item 18: Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. 400CM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.