

Item 1. Cover Page

Firm Brochure
(Part 2A of Form ADV)

Petra Capital Management LLC

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This brochure provides information about the qualifications and business practices of Petra Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 812-6170 or kkornblau@petracap.com. 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.

Additional information about Petra Capital Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT PETRA CAPITAL MANAGEMENT LLC OR ANY PRINCIPALS OR EMPLOYEES OF PETRA CAPITAL MANAGEMENT LLC POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.

February 14, 2012

Item 2. Material Changes

This is the initial brochure for Petra Capital Management LLC.

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We have included in this brochure references to products such as private investment funds only for the purpose of describing our advisory business. This brochure is not intended as an offer of any of these products, which are privately offered only to qualified investors.

Item 4. Advisory Business

Formed in 2005, Petra Capital Management LLC (“Petra Capital” or the “Adviser”), a Delaware limited liability company, provides investment management services to its clients, which are pooled investment vehicles and include three CDO clients (the “CDO Clients”) and three funds organized as a “master-feeder” structure (collectively, the “Fund” and, together with the CDO Clients, the “Clients”). The Fund comprises a U.S. feeder fund organized as a Delaware limited partnership, a non-U.S. feeder fund organized as a Cayman Islands exempt limited partnership and a master fund organized as a Delaware limited liability company. The two feeder funds invest their capital into the master fund. Petra Capital GP LLC, an affiliate of the Adviser, is the general partner of the two feeder funds. One of the CDO Clients is inactive and the Fund assets are being disposed of in connection with ongoing judicial proceedings.

The Adviser is wholly owned by its principal owners, Andrew D. Stone (Managing Partner and Chief Executive Officer), Lawrence A. Shelley (Vice Chairman and Co-Chief Operating Officer), Kenneth J. Kornblau (Vice Chairman, Chief Compliance Officer and Co-Chief Operating Officer) and Joseph K. Iacono (Managing Director and Chief Investment Officer).

The Adviser manages the Clients in accordance with their respective stated objectives, investment guidelines and restrictions and risk tolerance, regarding primarily commercial real estate related investments. Such investments include mortgage loans, mezzanine loans, fixed income securities, high yield debt, structured investment vehicles, distressed securities and special situation investments. Structured investment vehicles include vehicles that issue securities commonly known as “collateralized bond obligations” (“CBOs”), “collateralized debt obligations” (“CDOs”) or “collateralized loan obligations” (“CLOs”). The Adviser advises the Clients regarding purchases and sales of predominantly commercial real estate related assets.

The Adviser has full discretion in investment decisions made on behalf of the Clients. Investment advice is provided directly to each Client according to its particular investment objectives and within the guidelines as described in such documents as the offering circular, indenture, collateral management agreement and servicing agreement for each respective Client account (collectively, the “Governing Documents”) and not individually to the investors.

As of December 31, 2011, the Adviser manages assets in an amount of \$793,000,000 on a discretionary basis. This amount is calculated based on the values provided by the trustees of the active CDO Clients with respect to the related assets and the Fund. This amount does not include assets of nominal value with respect to the inactive CDO Client.

Item 5. Fees and Compensation

This brochure is delivered only to “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), therefore the fee schedule is not included. The fee schedule for each Client may be found in the confidential offering documents for such Client.

The Adviser's management fees with respect to the CDO Clients are payable in arrears on a monthly basis, are deducted monthly by the related trustee and are deducted from CDO Clients' assets as specified in the relevant transaction documents. Currently, no fees are collected or are expected to be collected from the Fund. Petra Capital Servicer LLC ("Petra Servicer"), an affiliate of the Adviser and special servicer to one of the active CDO Clients, may charge a special servicing fee with respect to its obligations as special servicer, and such special servicing fee is paid by the servicer to the special servicer on a monthly basis.

In addition to any management and special servicing fees, the active CDO Clients may also bear certain costs and expenses attributable to asset management and special servicing services, legal/compliance, custodial arrangements, transaction costs and accounting and operational services, if any.

For information regarding brokerage fees, see Item 12, *Brokerage Practices*, below.

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

Under certain circumstances, the Adviser is entitled to receive performance-based fees from each of its Clients. To the extent the Clients pay management fees or performance-based fees according to different fee schedules, an adviser may have an incentive that favors a higher paying Client. The Adviser addresses this conflict through policies and procedures that require each Client to be treated fairly and by managing its Clients without differentiating Clients by their fees.

Item 7. Types of Clients

The Adviser's Clients consist of institutional Clients, such as structured investment vehicles and private investment funds.

Generally, the Adviser's Clients require a minimum investment of between \$250,000 and \$500,000, depending on the Client.

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

Investment Objective and Strategy

The Adviser's investment objective with respect to its active Clients is to manage a diversified portfolio of commercial real estate related assets consisting primarily of first mortgage loans, subordinate loans, mezzanine loans and preferred equity and CMBS and CDO securities in order to maximize return for investors in those Clients. Return is derived primarily from the coupon income generated by the portfolio of loans and securities. The Adviser tries to minimize losses through careful and thorough underwriting.

General Risk Factors

There is a risk that an investment in any of the Clients will be lost entirely or in part. Investing in securities involves a risk of loss that Clients should be prepared to bear.

Material Risk Factors

Investors are requested to refer to the related Governing Documents for more complete information regarding investment strategies employed with respect to such Client and the corresponding risks associated with such investment strategies.

General Real Estate Considerations. Real estate historically has experienced significant fluctuations and cycles in value that may result in reductions in the value of real estate-related investments. The marketability and value of the investments undertaken by the Adviser on behalf of its Client accounts depends on many factors beyond the control of the Adviser. The ultimate performance of such investments is subject to the varying degrees of risk generally incident to the financing, ownership and operation of the underlying real property. The ultimate value of an investment in the underlying real property depends upon the real property owner's ability to operate the real property in a manner sufficient to maintain or increase revenues in excess of operating expenses and debt service or, in the case of real property leased to a single lessee, the ability of the lessee to make rental payments.

Real estate investments are subject to various risks, including:

- acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- acts of war or terrorism, including the consequences of terrorist attacks;
- adverse changes in national and local economic and market conditions, and changes in neighborhood characteristics;
- changes in governmental laws and regulations, fiscal policies (and in the availability, cost and terms of mortgage funds) and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- costs of remediation and liabilities associated with environmental conditions such as indoor mold;
- the potential for uninsured or under-insured property losses;
- the financial condition of tenants, buyers and sellers of properties; and
- competition from other properties offering the same or similar services.

The risks associated with real estate related investments are more severe during periods of economic slowdown or recession, if these periods are accompanied by declining real estate values. In addition, the Adviser's investment model may be adversely affected if the current economic recession continues longer or is deeper than anticipated. Declining real estate values likely would reduce the level of new mortgage and other real estate related loan originations since borrowers often use appreciation in the value of their existing properties to support the purchase or investment in additional properties. Borrowers also may be less able to pay principal

and interest on loans if the value of real estate weakens. Further, declining real estate values significantly increase the likelihood that the Clients will incur losses on loans in the event of default because the value of the collateral may be insufficient to cover the cost on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses adversely affects the Adviser's ability to invest in, sell and securitize loans.

Competition for Real Estate Investments. Many of the Adviser's competitors are significantly larger than the Adviser and have considerably greater financial, technical, marketing and other resources. Some competitors may have a lower cost of funds and access to funding sources that are not available to the Adviser. Additionally, many of the Adviser's competitors are not subject to the operating constraints associated with maintenance of an exemption from the Investment Company Act. Some of the Adviser's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, deploy more aggressive pricing and establish more relationships than the Adviser. Furthermore, competition for originations of and investments in the Adviser's target investments for the Clients may lead to an increase in the price of such assets, which may limit further the ability to generate desired returns.

Competition Associated with Commercial Properties. The commercial properties securing an investment in mortgage loans face competition from many sources, including some outside the local real estate market. For example, retail properties must compete with catalog retailers, home shopping networks, internet retailers and outlet centers, which are often characterized by lower operating costs. Continued growth of these alternative retail outlets could adversely affect the rents collectible at the retail properties. Additionally, competition from other office properties in the same local market could decrease occupancy or rental rates at office properties that secure Client investments. Decreased occupancy or rental revenues could result in realized losses on the mortgage loans.

Risk of Default or Insolvency of Underlying Investments Due to Leveraged Capital Structure. The leveraged capital structure of the properties underlying mezzanine products (and other structured investments) increases exposure to adverse economic factors (*e.g.*, rising interest rates, competitive pressures, downturns in the economy or deterioration in the condition of the real estate company or property) and to the risk of unforeseen events. Properties with less leverage face less risk. For example, rising interest rates may increase interest expense significantly, or a strong market downturn may affect the ability to generate positive cash flow. Rising interest rates or a strong market downturn may cause an inability to service outstanding debt. Particularly, if an underlying property cannot generate adequate cash flow to meet debt obligations because a major tenant defaults under, terminates or fails to renew its lease, the property owner may default on its loan agreements or be forced into bankruptcy. As a result, Client accounts may suffer a partial or total loss of invested capital.

Lack of Operating Control of Underlying Investments. The day-to-day operations of the properties underlying the debt or other investments in which certain Client accounts invest are the responsibility of the owners and developers of such properties. Although the Adviser is responsible for monitoring the performance of each investment and invests in debt or other investments with underlying real estate properties that are operated by strong management,

owners and developers may not be able to operate the underlying companies or properties in accordance with their business plans or the expectations of the Adviser.

Investment in Subordinate Capital. Subordinate debt and structured equity investments are subject to greater credit risks than other investment alternatives. On occasion investments are made without absolute control over the underlying collateral as control is shared with third party borrowers and agents or co-venturers and rights to the collateral may be subordinate to those of senior lenders. Subordinate capital is especially subject to loss of principal and nonpayment of interest. With respect to certain Clients, loans that are non-recourse to the borrower often are identified or acquired. In many circumstances, Client investments are not secured by a mortgage, but instead by partnership interests or other collateral that provide less security than a mortgage. While such subordinate debt investments usually benefit from the same or similar financial and other covenants as those enjoyed by the more senior debt investments and usually benefit from cross-default provisions with the senior debt, some or all of such terms may not be part of specific investments. Some investments may constitute participation interests where another entity has sole discretion with respect to exercising any lender rights. In any case, in the event of a default, the source of repayment may be limited to the value of the collateral and may be subordinate to other lien holders. Further, the collateral value of the property may be less than the outstanding amount of the investments. To protect the original investment and to gain greater control over the underlying assets, the Adviser may cause the Client to purchase the interest of a senior creditor or take an equity interest in the underlying assets, which may require additional investment.

Risks Associated with Senior CRE Loans and CMBS Mortgage Loans. Senior commercial real estate loans are secured by commercial property and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income-producing property typically depends primarily upon the successful operation of such property, rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. In addition to the general risks listed above, net operating income of an income-producing property can be adversely affected by, among other things:

- tenant mix;
- property management decisions;
- property location, condition and design;
- changes in specific industry segments, including the credit and securitization markets;
- declines in regional or local real estate values;
- declines in regional or local rental or occupancy rates; and
- increases in interest rates, real estate tax rates and other operating expenses.

Risks Associated with the Bankruptcy of the Borrower. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on the anticipated return from the foreclosed mortgage loan.

Risks Associated with Loans on Properties in Transition. Certain Client accounts may identify or acquire transitional loans secured by first lien mortgages on a property to borrowers who are typically seeking short-term capital to be used in an acquisition or rehabilitation of a property. The typical borrower under a transitional loan has usually identified an undervalued asset that has been under-managed and/or is located in a recovering market. If the market in which the asset is located fails to improve according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management and/or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the transitional loan, and the applicable Client account will bear the risk that it may not recover some or all of its investment.

In addition, borrowers usually use the proceeds of a conventional mortgage to repay a transitional loan. Transitional loans therefore are subject to risks of a borrower's inability to obtain permanent financing to repay the transitional loan. Transitional loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of any default under transitional loans that may be held by an Adviser Client account, such Client account will bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the transitional loan.

Further, the renovation, refurbishment or expansion by a borrower with respect to a property in transition mortgaged by a short term senior loan involves risks of cost overruns and noncompletion. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. Other risks may include rehabilitation costs exceeding original estimates, possibly making a project uneconomical, environmental risks and rehabilitation and subsequent leasing of the property not being completed on schedule. If such renovation is not completed in a timely manner, or if it costs more than expected, the borrower may experience a prolonged impairment of net operating income and may not be able to make payments on a Client account's loan investment, which could result in significant losses.

Risks Associated with Investments in non-conforming and non-investment grade rated loans or securities. Many investments will not conform to conventional loan standards applied by traditional lenders and may be rated as non-investment grade by the rating agencies. The non-investment grade ratings for these assets typically result from the overall leverage associated with the loans, the lack of a strong operating history for the properties underlying the loans, the borrowers' credit history, the underlying properties' cash flow or other factors. As a result, these investments are expected to have a higher risk of default and loss than investment grade rated assets.

Risks Associated with B-Note Originations or Acquisitions. A B-Note is a mortgage loan typically (a) secured by a first mortgage on a single large commercial property or group of related properties and (b) subordinated to an A-Note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-Note holders after payment to the A-Note holders. Because each transaction is privately negotiated, B-Notes can vary in their structural characteristics and risks. For example, the rights of holders of B-Notes to control the process following a borrower default may vary from transaction to transaction. Further, B-Notes typically are secured by a single property and accordingly reflect the risks associated with significant concentration. Significant losses related to the B-Notes held by a Client account would result in operating losses for such Client account and may limit the account's ability to make distributions to its stockholders or investors.

Risks Associated with Mezzanine Loans. Certain Client accounts may identify or acquire mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property, because the loan may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, a Client account may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy the Client account's mezzanine loan. If a borrower defaults on the Client account's mezzanine loan or debt senior to the mezzanine loan, or in the event of a borrower bankruptcy, the mezzanine loan will be satisfied only after the senior debt. As a result, the Client account may not recover some or all of its initial expenditure. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal.

Risks Associated with Credit Rating Downgrades. Investments are often rated by rating agencies such as Moody's Investors Service, Fitch Ratings, and Standard & Poor's. Any credit ratings on such investments are subject to ongoing evaluation by credit rating agencies. Such ratings may be changed or withdrawn by a rating agency if, in its judgment, circumstances warrant. If rating agencies assign a lower-than-expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of investments in the future, the value of investment could decline significantly, which would affect adversely the value of the investment portfolios and could result in losses upon disposition or the failure of borrowers to satisfy their debt service obligations.

Risks Associated with Commercial Mortgage Backed Securities ("CMBS") Investments. Certain Client accounts may acquire CMBS. In general, losses on a mortgaged property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B-Note, if any, then by the "first loss" subordinated security holder (generally, the "B-Piece" buyer) and then by the holder of a higher-rated security. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B-Notes, and any classes of securities junior to those in which a Client account invests, such account will not be able to recover all of its investment in the securities it purchases. In addition,

if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral value is available to satisfy interest and principal payments due on the related mortgage-backed securities. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual issuer developments.

With respect to the CMBS investments, overall control over the special servicing of the related underlying mortgage loans is held by a “directing certificateholder” or a “controlling class representative,” which is appointed by the holders of the most subordinated class of CMBS in such series. Classes of existing series of CMBS may be acquired where there is no right to appoint the directing certificateholder. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificateholder, take actions with respect to the specially serviced mortgage loans that could adversely affect a Client investment.

Risks Associated with Equity Ownership. In certain circumstances (including foreclosure on a property), fee simple title to real estate may be acquired or a preferred equity or joint venture position in a property-owning entity may be taken. Such interests may be subordinate to both general and secured creditors of the asset. Moreover, acquisition of preferred equity or joint venture interests involves certain risks not present in real property loans or direct property ownership. For example, it is possible that other equity owners have economic or business interests or goals which are inconsistent with those of a Client. Also, since a Client may have restrictions with respect to holding fee simple titles to real estate, the Adviser may have to direct a sale of distressed assets at a price and at a time which is not the most favorable for the Client.

Interest Rate Changes May Adversely Affect Value. The market value of real estate related investments may be affected by changes in interest rates. In general, the market value of a debt investment changes in inverse relation to an interest rate change where a debt investment has a fixed interest rate or only limited interest rate adjustments. Accordingly, in a period of declining interest rates, debt investments without adequate call protection may benefit less than other fixed income securities due to accelerated prepayments. For example, a property securing a commercial real estate collateralized debt obligation may bear interest at a fixed rate while the commercial real estate collateralized debt obligation may bear interest at a floating rate, which can lead to a floating/fixed rate or basis mismatch. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability of such property to generate positive cash flow and make payments on the commercial real estate collateralized debt obligation. Interest rate changes may also affect return on new investments. Increases in the interest rates on debt incurred in originating or acquiring investments may not be reflected in increased rates of return on the related investments, adversely affecting return on those investments. Accordingly, interest rate changes may adversely affect the total return on a investment.

Investments Longer than Term. Certain investments may have maturity dates later than, or which cannot be liquidated before, the date on which the applicable Client account is expected to be dissolved. Although investments are generally disposed of prior to dissolution, such

accounts may be required to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Leverage with Respect to Client Investments. Return on an investment is frequently dependent upon the availability of leverage. The ability to obtain the leverage necessary with respect to a Client investment on attractive terms depends upon many factors including market conditions and the performance of a Client's investments. The failure to obtain leverage at the contemplated advance rates, pricing and other terms could have a material adverse effect on such Client accounts. Leverage creates an opportunity for increased returns, but at the same time creates risks. In addition, the debt may be recourse for such Client accounts so an impairment or potential impairment of an investment may create a risk of loss of some or all of the Client assets. There are significant restrictions on each Client's ability to refinance its liabilities under the related Governing Documents, and any such refinancing is very unlikely.

Hedging Policies/Risks. Certain Client accounts may employ hedging techniques designed to protect them against adverse movements in interest rates and other risks. While such transactions may reduce certain risks, the transactions themselves may entail certain other risks. Thus, while such Client accounts may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates or other factors may result in a poorer overall performance for such Client accounts than if they had not entered into such hedging transactions. If the hedging arrangements are terminated at any time in accordance with their terms, whether as a result of an event of default thereunder or otherwise, such Client accounts may be liable to make a payment to or receive a payment from the hedging provider in connection with such termination reflecting the market value of the transactions comprising such hedging arrangements (or, in certain circumstances, the loss or gain, as applicable, of the party making the relevant determination). If such Client accounts are required to make such a payment, it may be required to liquidate investments to fund any such payment.

Controlling Person Liability. If foreclosure is required on a security to protect a Client investment, the Client may thereby acquire a controlling interest in a real estate company. Other circumstances, such as the exercise of warrants or other interests acquired as part of an investment, also could cause a Client to hold such controlling interests. The exercise of control over an entity can impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristic of business ownership may be ignored. If these liabilities were to arise, significant losses may result.

Third Party Involvement. In certain situations, Clients (a) acquire only a minority interest in a company or other asset in which they invest, (b) rely on independent third party management or strategic partners with respect to the operations of a company or other asset in which they invest or (c) acquire only a participation in an asset underlying an investment, and therefore may not be able to exercise control over the management of such company or investment. Also, co-investments with third parties through loan participations or partnerships, joint ventures or other entities, thereby acquiring non-controlling interests in certain investments may offer limited protection to an investment position.

Concentration of Portfolio Investments. Investment concentration in certain property types or in a limited number of geographic locations may carry a higher risk of loss. To the extent that any portfolio is concentrated in any one region or type of asset, downturns relating generally to such region (which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors) or type of asset (such as oversupply of or reduced demand for industrial properties) may result in defaults on a number of investments within a short time period.

Inability to Re-Sell or Re-Lease Properties. Real estate related investments may suffer if a property cannot be re-leased or successfully repositioned for other uses or can only be re-leased or repositioned at a diminished income stream. If a property is not occupied or if rent is not being paid or is being paid in an amount that is insufficient to cover operating expenses, the Clients could be required (or could elect) to expend funds with respect to that property, including expenses relating to taxes, insurance, utilities and maintenance of the property, as well as leasing commissions and costs to improve the property to enhance its marketability or to meet the requirements of a new tenant. Additionally, it may not be possible to sell real estate or equity interests in real estate when a decision to sell is made or in an “as is” condition. In other words, defects (e.g., such as defects related to the environment, health or safety or maintenance or repair) may have to be corrected or other improvements made before a property can be sold. Funds may not be available to correct defects or make improvements, and the expenditure of funds to correct defects or make improvements may adversely affect the funds available for investment and cash available for distribution to the Clients.

Risks Associated with Environmental Liabilities Arising from Foreclosed or other Properties. To the extent Client accounts own real estate or foreclose on properties with respect to which they have extended mortgage loans, such Client accounts may be subject to environmental liabilities arising from such foreclosed properties. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances may adversely affect an owner’s ability to sell real estate or borrow using real estate as collateral. To the extent that an owner of a property underlying a Client account’s debt investments becomes liable for removal costs, the ability of the owner to make payments to a Client may be reduced, which in turn may adversely affect the value of the relevant mortgage asset held by such Client account. The presence of hazardous substances on a property may adversely affect a Client account’s ability to sell foreclosed or other property and the Client account may incur substantial remediation costs.

Item 9. Disciplinary Information

The Adviser has no legal or disciplinary events to report.

Item 10. Other Financial Industry Activities and Affiliations

Petra Capital GP LLC, an affiliate of the Adviser, is the general partner of the two feeder funds to the Fund.

In providing investment advisory services to one of its active CDO Clients, the Adviser engages the services of its affiliate, Petra Servicer, to specially service certain loans in such Client's portfolio. Petra Servicer is a rating agency approved servicer of distressed real estate assets. Petra Servicer, in conjunction with the Adviser, develops resolution and disposition strategies believed to maximize value for one of the active CDO Client accounts.

The Adviser has no other financial industry activities or affiliations material to its business.

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

As a fiduciary, the Adviser owes an undivided duty of loyalty to its Clients and thus demands the highest standards of ethical conduct and care by all of its employees. It is the Adviser's policy that all employees conduct themselves so as to avoid, to the extent possible, not only actual conflicts of interest with Clients but any conduct that could give rise to the appearance of a conflict of interest that might compromise the trust placed in the Adviser by its Clients.

The Adviser's reputation in the investment community, with its limited partners, investors and Clients, and with those individuals and organizations with whom the Adviser has contact, depends upon the trust and professionalism with which we conduct the affairs of the Adviser. To this end the Adviser has adopted a Code of Ethics (the "Code") to guide the Adviser and to help the Adviser to ensure that it complies with all the applicable laws, rules and regulations of the United States and the states in which the Adviser conducts its business and, more generally, to comply with its fiduciary duty to the Adviser's Clients. Failure to adhere to both the letter and spirit of the Code may result in disciplinary action, including termination.

At all times, the Adviser's personnel must:

- comply with the Code, the Adviser's compliance manual, and all applicable federal securities laws;
- place the interests of the Adviser's advisory Clients and their investors above their own personal interests (in other words, as a fiduciary, the Adviser must scrupulously avoid serving their own personal interests ahead of the interests of their Clients.); and
- avoid taking inappropriate advantage of their position (the receipt of investment opportunities, perquisites, or gifts from persons seeking business with the Adviser or its advisory Clients could call into question the exercise of their independent judgment.)

The Code will be provided to any Client or Fund investor or prospective Client or Fund investor upon request.

Certain owners, officers, and employees of the Adviser (collectively "employees") may invest directly and/or indirectly in the CDOs. Also, on occasion, employees may trade for their own accounts securities in which the Adviser also trades in Client portfolios. It is possible that

employees of the Adviser may engage in transactions for their own accounts in a manner that is inconsistent with recommendations to a Client. Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a Client. The Adviser has adopted policies and procedures designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that it effects transactions for Clients in a manner that is consistent with its fiduciary duty to its Clients and in accordance with applicable law. At a minimum, all employees report their personal securities transactions to the Adviser's compliance officer as set forth in the Adviser's compliance manual.

The Adviser on occasion may engage in principal transactions with Clients. A principal transaction occurs when an investment adviser, acting for its own account (or the account of an affiliate) buys a security from, or sells a security to, a client's account. The Adviser will conduct all principal transactions according to the disclosure and client consent requirements of Section 206(3) of the Advisers Act. The precise application of these disclosure and consent requirements may depend on the nature of the Client and the transaction. The Adviser must determine that any principal transaction is in the best interest of the participating Client.

The Adviser may determine that it is in the best interests of two or more Clients to transfer a security from one Client to another for tax purposes, liquidity purposes, to reduce transaction costs that may arise in an open market transaction or for other purposes (a "Cross Trade"). Cross Trades, which may or may not constitute principal trades, will be conducted in accordance with the Adviser's responsibility to treat each participating Client fairly, must be in the best interest of each participating Client and must be consistent with the Adviser's duty to seek best execution. The Adviser will rely on its valuation procedures to determine the appropriate price to effect the transaction. The Adviser will monitor the percentage of ownership in each of the Clients held directly or indirectly by the Adviser and its affiliates in order to identify any potential principal trading issues.

The Adviser and its affiliated persons may come into possession from time to time of material nonpublic or other confidential information about companies which, if disclosed, might affect an investor's decision to buy, sell, or hold a security. Under applicable law, the Adviser and its affiliated persons would be prohibited from improperly disclosing or using this information for their personal benefit or for the benefit of any person, regardless of whether the person is a Client of the Adviser. Accordingly, should the Adviser or any affiliated person come into possession of material nonpublic or other confidential information with respect to any company, the Adviser and its affiliated persons will have no responsibility or liability for failing to disclose the information to Clients as a result of following its policies and procedures designed to comply with applicable law.

Item 12. Brokerage Practices

In selecting dealers to effect transactions with a Client's account in securities traded in the "over the counter" or "dealer" markets, the Adviser would generally select nationally recognized dealers on a transaction-by-transaction basis with a view to securing the highest sale price (net of the dealer's mark-down) or lowest purchase price (net of the dealer's mark-up), or the best combination of purchase and sale price from each broker/dealer in the event of a swap

transaction. In effecting a transaction, the Adviser takes into consideration the qualitative factors associated with obtaining prompt responses, swift executions, and accurate information and reports from that dealer. When the Adviser reasonably believes, as is often the case with respect to non-CMBS and non-CDO assets, however, that, in light of the type and/or amount of security to be bought or sold and/or prevailing market conditions, it does not have the “in house” capability to seek out and obtain “best price” (subject to other factors determined by the Adviser to be relevant to “best execution”) and that use of an agent will result in better overall terms to the Client, notwithstanding the payment of a commission, the Adviser may employ an agent to seek out the best dealer market for the Client and cause the Client to pay a commission for this service. The Adviser reviews trades executed by any broker so selected by it to determine whether such broker has secured “best price” (after giving effect to any such commission) and “best execution”.

The Adviser may decide to aggregate multiple Client transactions in the same security and enter a single block order if such an opportunity is present and the Adviser believes that such action is consistent with its duty to achieve best execution for its Clients. However, such an order may result in a partial execution whereby the Adviser is unable to buy or sell the total number of securities specified in the block order. If that situation occurs, the Adviser may allocate the amount of securities bought or sold on a pro rata basis based upon the size of the filled block order and the individual needs of each Client account for which the order was prospectively made.

The Adviser may enter into soft dollar arrangements with broker/dealers whereby the Adviser receives products and/or services from third party service providers that are paid for by the broker/dealers in exchange for the brokerage commissions from transactions in Clients’ accounts. The receipt of soft dollar services from broker/dealers may occur under the statutory guidelines of Section 28(e) of the Securities Exchange Act of 1934 and SEC interpretations thereunder. Section 28(e) is not a prohibition, but a “safe harbor”; therefore the section cannot be violated. The safe harbor provides the Adviser the opportunity to soft dollar “brokerage and research” services, the definition of which is intended to be broad. The reference point used to determine whether a service is within the safe harbor is whether it “provides lawful and appropriate assistance to the money manager in carrying out its investment decision making responsibilities”. Since the brokerage is the property of the Clients, the soft dollar products and services should provide the greatest benefit to the Clients.

The Adviser does not enter into “soft dollar” arrangements, *i.e.*, arrangements under which the Adviser agrees to pay more than the lowest available commission for products or services provided by a broker/dealer, nor does it have procedures governing these types of arrangements. However, the Adviser may receive from broker/dealers unsolicited research or other products or services. Within the last fiscal year the Adviser received from brokers access to the brokers’ research websites, research e-mailed to the Adviser and access to management of loan originators at industry conferences.

The Adviser will take advantage of the products or services rather than producing or paying for them from another provider. In these situations the Adviser receives a benefit because it does not have to pay for the products or services, such as research. The Adviser may have an incentive to recommend broker/dealers based on benefits that it receives, even in the absence of

soft dollar arrangements. In addition, the Adviser may execute transactions with broker(s) which have structured investment vehicles that the Adviser advises. To this extent, the Adviser may be viewed as receiving compensation in addition to the compensation directly charged to Clients in the form of fees. Accordingly, the Adviser has a conflict of interest in directing commission business to brokers that agree to relieve the Adviser of costs and expenses that it otherwise bears. The Adviser monitors the performance of the brokers it selects to determine whether they have in fact regularly secured “best price” (subject to other factors determined by the Adviser to be relevant to “best execution”) for the Adviser’s Clients.

Item 13. Review of Accounts

Accounts are monitored regularly and reviewed on a daily basis to determine whether the account is being managed in a manner consistent with the Client's stated objectives, investment guidelines and restrictions and risk tolerance. The primary reviewer(s) is/are the Chief Executive Officer and the Chief Investment Officer.

The Adviser does not directly provide reports to Clients regarding their accounts. The Adviser does, however, review monthly reports which are provided by the trustee of the CDO Clients who is in charge of distributing those reports to the Clients.

Item 14. Client Referrals and Other Compensation

The Adviser does not engage in Client referral arrangements.

Item 15. Custody

The Adviser does not maintain physical custody of Client assets and is not deemed under Rule 206(4)-2 of the Advisers Act of 1940, as amended (the “Advisers Act”) to have custody of Client assets. The CDO Client investors receive monthly reports which reflect portfolio holdings and balances. The trustee of the CDO Clients, as custodian, is responsible for distributing the reports to the CDO Client investors, which the Adviser receives as well, and reviews.

Item 16. Investment Discretion

The terms of the collateral management agreement between the Adviser and a Client ordinarily grants the Adviser the discretion to make decisions with respect to the sales and purchases of real estate assets relating to the Client with reasonable care, in good faith and in the best interests of the investors in the Client, in a manner which the Adviser reasonably believes to be consistent with the customary standards, policies and procedures followed by institutional managers of national standing relating to assets of the nature and character of the Client’s assets.

Item 17. Voting Client Securities

As an adviser to Clients that invest in real estate related securities, the Adviser’s investment strategies do not generally involve the acquisition of securities with voting authority, making it unlikely that the Adviser will be placed in a position of proxy voting authority. If, however, the Clients do come into possession of securities with voting rights, the Adviser will

have the authority to vote proxies and will do so in accordance with the fiduciary obligations that apply with respect to voting client securities pursuant to Rule 206(4)-6 of the Advisers Act.

Rule 206(4)-6 (the “Rule”) under the Advisers Act requires every investment adviser that exercises proxy voting authority over Client securities to adopt and implement written policies and procedures, reasonably designed to ensure that the adviser votes proxies in the best interest of its Clients. The Rule further requires the adviser to provide a concise summary of the adviser’s proxy voting process and offer to provide copies of the complete proxy voting policy and procedures to Clients upon request. Finally, the Rule requires that an adviser disclose to Clients how they may obtain information on how the adviser voted their proxies.

It is the policy of the Adviser to vote any Client proxies using the standard of care provided above. To that end, the Adviser will vote within Client-stated guidelines and in a way that it believes, consistent with its fiduciary duty.

The Adviser has identified no conflicts of interest with the Clients in its proxy voting process. Nevertheless, if the Adviser determines that a material conflict of interest exists in voting Client proxies, then the Adviser will, at its expense, engage the services of an outside proxy voting service or consultant who will provide an independent recommendation on how to vote regarding the proposal. The proxy voting service or consultant’s determination will be binding on the Adviser.

Clients and investors may obtain a copy of the Proxy Voting Policy and Procedures and the proxy voting record relating to a Client by contacting the Adviser at the address or telephone number listed on the Cover Page of this brochure.

Item 18. Financial Information

The Adviser has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients.