THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE:	**CHAPTER 11**
PETRA FUND REIT CORP., et al.,	**CASE NO. 10-15500 (SCC)**
DEBTORS.	**(JOINTLY ADMINISTERED)**

SECOND AMENDED DISCLOSURE STATEMENT OF PETRA FUND REIT CORP. AND PETRA OFFSHORE FUND LP

Dated: New York, New York
December 19, 2011

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I. INTRODUCTION

Petra Fund REIT Corp. ("REIT") and Petra Offshore Fund LP ("Offshore," and together with REIT, the "Debtors"), as debtors and debtors in possession, have filed the First Amended Plan of Reorganization of Petra Fund REIT Corp. and Petra Offshore Fund LP, dated December 14, 2011 (the "Plan"), with the United States Bankruptcy Court for the Southern District of New York. A copy of the Plan is annexed hereto as Exhibit A[1]. The Debtors hereby submit this disclosure statement, pursuant to section 1125 of title 11 of the Bankruptcy Code, in connection with the solicitation of acceptances or rejections of the Plan from certain holders of Claims against the Debtors.

Following a hearing held on _____ _, 2011, this First Amended Disclosure Statement (the "Disclosure Statement") was approved by the Court as containing "adequate information" in accordance with section 1125 of the Bankruptcy Code. Pursuant to section 1125(a)(1) of the Bankruptcy Code, "adequate information" is defined as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other possible or proposed plan."

NO STATEMENTS OR INFORMATION CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY HAVE BEEN AUTHORIZED, OTHER THAN THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE INFORMATION ACCOMPANYING THIS DISCLOSURE STATEMENT. ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED. EXCEPT AS OTHERWISE SET FORTH HEREIN, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE BY THE DEBTORS AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF.

APPROVAL OF THIS DISCLOSURE STATEMENT BY THE COURT DOES NOT INDICATE THAT THE COURT RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN NOR DOES SUCH APPROVAL CONSTITUTE A DETERMINATION BY THE COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN PROPOSED BY THE DEBTORS. EACH HOLDER OF A CLAIM OR INTEREST SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY,

[1] Capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Plan.

INCLUDING THE CONDITIONS TO EFFECTIVENESS OF THE PLAN CONTAINED IN ARTICLE VIII THEREOF. AFTER CAREFULLY REVIEWING THESE DOCUMENTS, IF YOU ARE A CLAIM OR INTEREST HOLDER ENTITLED TO VOTE, PLEASE INDICATE YOUR VOTE WITH RESPECT TO THE PLAN ON THE ENCLOSED BALLOT AND RETURN IT IN THE ENVELOPE PROVIDED.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF INTERESTS IN, THE DEBTORS (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS OR INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

THIS DISCLOSURE STATEMENT HAS NOT BEEN FILED WITH, NOR NECESSARILY REVIEWED BY, AND ANY SECURITIES TO BE ISSUED ON OR AFTER THE EFFECTIVE DATE WILL NOT HAVE BEEN THE SUBJECT OF A REGISTRATION STATEMENT FILED WITH, THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY OTHER SECURITIES REGULATORY AUTHORITY OF ANY STATE UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, ANY OTHER SECURITIES REGULATORY AUTHORITY, OR ANY STATE SECURITIES COMMISSION, AND NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THE DEBTORS BELIEVE THAT THE SOLICITATION OF VOTES ON THE PLAN MADE BY THIS DISCLOSURE STATEMENT, AND THE OFFER OF ANY NEW SECURITIES THAT MAY BE DEEMED TO BE MADE PURSUANT TO THE SOLICITATION ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND RELATED STATE STATUTES BY REASON OF THE EXEMPTION PROVIDED BY SECURITIES ACT SECTION 4(2), OR OTHER APPLICABLE EXEMPTIONS, AND EXPECT THAT THE ISSUANCE OF ANY SECURITIES UNDER THE PLAN WILL BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND RELATED STATE STATUTES BY REASON OF THE APPLICABILITY OF SECTIONS 1145(a)(1) AND (2) OF THE BANKRUPTCY CODE AND SECURITIES ACT SECTION 4(2), OR OTHER APPLICABLE EXEMPTIONS.

A. Disclosure Statement Enclosures

Accompanying this Disclosure Statement are copies of: (a) the Plan (a copy of which is annexed hereto as Exhibit A); (b) a Notice (i) fixing the time for casting Ballots either accepting or rejecting the Plan, (ii) fixing the deadline for Filing objections to Confirmation of the Plan and (iii) scheduling a hearing on Confirmation of the Plan (the "Notice"); (c) a copy of the Order

approving this Disclosure Statement; and (d) for impaired Creditors and Interest holders entitled to vote to accept or reject the Plan, a ballot for acceptance or rejection of the Plan (the "Ballot").

Additional copies of the Disclosure Statement and the related enclosures are available upon request to Debtors' counsel, Dickstein Shapiro LLP ("Debtors' Counsel"), at the following address:

Dickstein Shapiro LLP
1633 Broadway
New York, New York 10019
Attention: Brian E. Goldberg and
Shaya M. Berger

B. Only Impaired Classes Vote

Pursuant to the provisions of the Bankruptcy Code, only Classes of Claims and Interests that are "impaired" under the Plan may vote to accept or reject the Plan. Generally, a claim or interest is impaired under a plan if the holder's legal, equitable or contractual rights are changed under such plan. In addition, if the holders of claims or interests in an impaired class do not receive or retain any property under a plan on account of such claims or interests, such impaired class is deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code.

Under the Plan, Claims in Classes 1, 1A, 2 and 3 are Impaired and are entitled to vote on the Plan. Holders of Claims or Interests in Classes 4, 5 and 6 will receive no distribution and, accordingly, such holders are deemed to reject the Plan. ACCORDINGLY, A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASSES 1, 1A, 2 AND 3.

For a summary of the treatment of each Class of Claims and Interests, see "Overview of the Plan" below.

C. Voting Deadline and Related Issues

The last day to vote to accept or reject the Plan is _____ __, 2012 (the "Voting Deadline"). To be counted, your ballot must be **RECEIVED BY DEBTORS' COUNSEL, DICKSTEIN SHAPIRO LLP, AT 1633 BROADWAY, NEW YORK, NEW YORK 10019, ATTENTION: BRIAN E. GOLDBERG AND SHAYA M. BERGER, OR BY FACSIMILE, AT 212-277-6501, ATTENTION: BRIAN E. GOLDBERG AND SHAYA M. BERGER, BY THE VOTING DEADLINE.** The record date for determining which creditors or interest holders may vote on the Plan is _____ _, 2012 (the "Voting Record Date").

The Bankruptcy Code provides that only the ballots of creditors and interest holders who timely vote on the Plan will be counted for purposes of determining whether the requisite acceptances have been attained. Failure to deliver a timely and properly completed ballot by the Voting Deadline will constitute abstention (will not be counted as either an acceptance or a rejection).

Each holder of record as of the Voting Record Date of an Allowed Claim in an Impaired Class of Claims set forth in Article IV of the Plan shall be entitled to vote separately to accept or reject the Plan with regard to each Impaired Class of Claims as provided in the Procedures Order. If the Debtor objects to a Claim, the Claim becomes a Disputed Claim. The holder of a Disputed Claim is not entitled to vote on the Plan unless the Debtor or such holder of the Disputed Claim obtains an order of the Court estimating the amount of the Disputed Claim for voting purposes. If the Debtor does not object to a Claim prior to the date on which the Disclosure Statement and the Ballot are transmitted to Creditors for voting, then the holder of such Claim will be permitted to vote on the Plan in the full amount of the Claim as filed, provided, however, that if the proof of claim is marked, or is by its terms, contingent, unliquidated or disputed on its face, either in whole or in part, then such Claim will be permitted to vote on the Plan only in the amount of $1.00, unless a different amount for voting purposes is otherwise provided for in the Plan.

Any Class of Claims that is not occupied as of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily allowed under Bankruptcy Rule 3018 or as to which no vote is cast shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

If any Impaired Class of Claims or Interests entitled to vote shall not accept the Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code, then the Debtors reserve the right to amend the Plan in accordance with Article X of the Plan or to undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code, or both.

D. Confirmation Hearing

The Court has scheduled a hearing to consider confirmation of the Plan for _____ ___, 2012 at _____ Eastern Standard Time ("EST") in the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, NY 10004 (the "Confirmation Hearing"). The Court has directed that objections, if any, to confirmation of the Plan be served and filed on or before _____ ___, 2012 at _____ EST in the manner described in the Notice accompanying this Disclosure Statement. The date of the Confirmation Hearing may be adjourned from time to time without further notice except for an in-court announcement at the Confirmation Hearing of the date and time as to which the Confirmation Hearing has been adjourned.

THE PLAN IS PROPOSED BY THE DEBTORS. THE DEBTORS BELIEVE THE PLAN PROVIDES THE GREATEST POSSIBLE RECOVERY TO CREDITORS AND URGE ALL IMPAIRED CREDITORS TO VOTE IN FAVOR OF THE PLAN.

II. BACKGROUND

A. History of the Debtor

The Debtors, together with their affiliates (collectively, "Petra") are in the business of originating, investing in, structuring and trading loans secured by commercial real-estate.

Offshore is an ultimate parent of REIT and substantially all of the assets of Offshore are invested in REIT. REIT is currently a real-estate investment trust whose assets include investments in real-estate and real-estate debt instruments. An important component of Petra was its direct and indirect ownership of certain equity and debt interests in Petra CDO, which allowed it to qualify for tax and other financial benefits available to real estate investment trusts and their subsidiaries. Petra CDO, as a qualified REIT subsidiary, had been an effective financing entity for a substantial portion of Petra's real estate transactions. Petra CDO, in turn, had (and continues to have) several senior noteholders who are primarily substantial financial and similar institutions.

B. Events Leading to the Chapter 11 Filings

The extraordinary and unprecedented collapse of the credit and commercial real estate markets has severely impacted Petra, causing the mark-to-market value of its assets to plummet. Financing and liquidity, which was previously readily available through banks and the capital markets, evaporated as banks de-levered and investors withdrew from the market. This shift severely constrained and essentially ended the market for securitized debt, which had been a crucial source of financing for the commercial real estate market, of which REIT is a participant.

As a result of this unprecedented financial crisis, Petra's loan portfolio deteriorated due to the collapse of the market for securitized debt and resulted in insufficient capital to meet the needs of existing owners who need to refinance their current debt. For the past several years, Petra has made numerous attempts to negotiate with substantially all of its creditors in an effort to formulate a consensual restructuring. While certain of Petra's creditors were amenable to restructuring discussions and substantial progress was made toward finalizing various proposed transactions, progress was not made respecting other creditors. These negotiations were further complicated because several of Petra's assets are encumbered by liens and/or asserted liens or similar claims.

One creditor with whom Petra could not reach resolution was KBS Preferred Holding I, LLC ("KBS"). Ultimately, KBS sued the Debtors in New York state court to collect on its asserted debt, arising out of an unsecured loan extended to REIT. KBS obtained a judgment on this debt and had begun to commence enforcement proceedings and assert various rights as a judgment creditor.

To the extent KBS or any other creditor of the Debtors (all of whom are structurally subordinated to Petra CDO's senior noteholders) was able to interfere with the REIT qualified structure of the Petra enterprise and/or Petra CDO, there would have been financial consequences for the investors and noteholders in Petra CDO and the underlying value of the entire enterprise would be diminished, to the ultimate detriment of all involved, including the Debtors and their estates. Moreover, among the pre-bankruptcy restructuring discussions entered into by Petra, REIT and a secured creditor holding a lien on REIT's indirect equity interest in the CDO formulated a deal in principle set forth in the Plan Support Agreement (attached as an exhibit to the Affidavit of Lawrence Shelley Pursuant to Local Rule 1007-2 [ECF Docket No. 2]), which the Debtors believed provided the best hope to generate value for all parties. The transactions proposed in the Plan Support Agreement required the Debtors to file for bankruptcy to implement them. Ultimately, based on further changing economic and market conditions, as well as the result of further

negotiations among the parties, the transactions contained within the plan are somewhat different than originally contemplated in the Plan Support Agreement. See II.E. – Negotiations with Creditors.

C. The Chapter 11 Cases

On October 20, 2010 (the "Petition Date"), the Debtors commenced cases under chapter 11 of the Bankruptcy Code. The Debtors' chapter 11 cases are being jointly administered. No trustee or committee has been appointed in these chapter 11 cases. The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

On November 16, 2010, the Court entered certain "first day" orders, including an order approving of the Debtors' retention of Dickstein Shapiro to act as their counsel *nunc pro tunc* to the Petition Date. The Debtors selected Dickstein Shapiro because, among other reasons, Dickstein Shapiro's extensive experience and knowledge in (i) the field of debtors' and creditors' rights and business reorganizations under Chapter 11 of the Bankruptcy Code; and (ii) legal areas that would affect the Debtors' day-to-day operations and their reorganizations under Chapter 11 of the Bankruptcy Code. The Debtors also retained PricewaterhouseCoopers LLC to assist them in filing various tax returns and related papers, as well as to provide certain tax consulting services.

Due in part to the relatively small number of unsecured creditors in the Debtors' cases, there was no statutory committee appointed.

D. The Examiner

On April 12, 2011, at the request of KBS and one of the equity investors of the Debtors, Professor Jack F. Williams was appointed as examiner (the "Examiner") in the Debtors' chapter 11 cases. Over a period of four months, the Examiner conducted two investigations with respect to various issues, including certain transfers the Debtors made that KBS alleged were fraudulent or otherwise avoidable. Debtors believe that the investigations conducted by the Examiner were at least as thorough and comprehensive, and likely moreso, than any investigation that a committee would have conducted if one had been appointed. The Examiner issued two reports and concluded that "none of the investigated transfers and transactions are likely subject to avoidance pursuant to sections 544, 548, 547 or 550 of the Bankruptcy Code." Accordingly, based in part on the Examiner's determinations and conclusions, the Debtors do not intend to pursue avoidance or other actions against any of the Debtors' insiders, managers or affiliates, or against J.P. Morgan Securities, Inc. (together with its affiliates, "JPM") or the Royal Bank of Scotland plc (together with its affiliates, "RBS") or their respective affiliates. Copies of the Examiner's report are filed on the docket of the Debtors' chapter 11 cases [ECF Nos. 138, 178] and are available upon request from Debtors' counsel.

E. Negotiations with Creditors

During the Debtors' chapter 11 cases, the Debtors continued to engage in negotiations with its secured creditors, RBS and JPM, to finalize a proposed plan of reorganization. While it was originally contemplated that the transactions proposed in the Plan Support Agreement would be embodied in the Debtors' plan of reorganization, the Debtors ultimately were unable to obtain consent to such a plan from both of its secured creditors. Accordingly, the Debtors modified its proposed restructuring in a manner that they anticipate will be deemed satisfactory to both JPM and RBS and this modified version of the Debtor's proposed restructuring is now embodied in the Plan. Importantly, the Debtors and its secured creditors came to the realization that for a restructuring to work, it would not be possible to guarantee that REIT would retain its status as a qualified real estate investment trust for federal tax purposes. As a result, the Debtors' proposed restructuring of REIT in the Plan is not dependent on REIT retaining such tax status. See section IX – Risk Factors.

III. REMAINING ASSETS OF AND CLAIMS AGAINST THE ESTATES

A. Assets

The remaining assets of Offshore consists of (i) equity interests in Petra Fund Master REIT Corp., which is an indirect parent company of REIT; and (ii) equity interests in Petra Fund Holdings LLC. These companies, or the interests directly or indirectly owned by them, have liabilities exceeding their assets by millions of dollars and accordingly these equity interests have zero or negative value.

The remaining assets of REIT consist of the following assets:

a) Cash. The Debtors have approximately $100,000 in cash in their bank accounts, although this number fluctuates with payment of ordinary course costs of administration, separate from professional fees, and receipt of certain minimal cash payments.

b) Settlement Payments. REIT is owed certain payments under a settlement agreement arising out of and executed by defendants in the case Petra Fund REIT Corp. v. Belfonti, et al., Index No. 07/602487, New York Supreme Court, County of New York. Under this settlement agreement, REIT is entitled to be paid ten (10) installment payments aggregating $3,750,000. As of the date hereof, the first four payments have already been paid, in the amount of $1,750,000.00, leaving $2,000,000.00 outstanding as follows: (i) $125,000 to be paid in July 2012; (ii) $125,000 in December 2012; (iii) $125,000 in July 2013, (iv) $250,000 in December 2013; (v) $500,000 in June 2014; and (vi) $875,000 in December 2014. Although the obligor is legally required to make such payments, there are no assurances that such payments will indeed be made.

c) Petra CDO Securities. REIT's assets also include certain Petra CDO securities that are owned either directly or indirectly: the Class F Bonds, Class G Bonds, Class J Bonds, Class K Bonds, and the CDO Preferred Shares. Such securities have face values of $33,000,000, $20,000,000, $42,500,000, $32,500,000, and $130,000,000, respectively. These

securities represent a passive investment in Petra CDO and the holder thereof should not expect to be able to exercise any control over the management of Petra CDO or to remove Petra CDO management or influence their decisions. These securities in today's market have minimal value and are fully encumbered by senior secured liens of RBS and JPM, which exceed their value. Moreover, the Debtors acknowledge that RBS has taken the position that on November 24, 2009, it foreclosed upon, and became the owners of, the Class F Bonds and Class G Bonds. The Debtors disagree with RBS's position but, the issue is effectively mooted based on the Debtors' proposed treatment of the RBS Claim in the Plan, which will allow the Debtors to avoid litigation on this issue. Reorganized Petra, the anticipated holder of some of these Petra CDO securities under the Plan, may be subject to significant contingent liabilities, including but not limited to, Federal or other taxes and certain expenses associated with Petra CDO. While some of these liabilities may act as an offset against future distributions (if any) in connection with such securities, the holding of certain of these securities held by REIT (and which will continue to be held by Reorganized Petra when REIT's Interests are sold under the Plan) may result in the incurrence by Reorganized Petra of these contingent liabilities, including but not limited to, taxes and expenses, on an affirmative basis regardless of the existence or not of any distributions or other recoveries on such securities. Below are additional details with respect to Petra CDO securities:

- The Class F Bonds are notes due in 2047 in the original principal amount of $33,000,000.00 and were issued in connection with the Petra CDO. RBS holds a first priority Lien on the Class F Bonds. Aside from being fully encumbered, the Debtors believe that the Class F Bonds have minimal market value based on, among other factors, the price paid on the open market for similar securities during the last 12 months, the fact that regular and full interest payments have not been made since prior to the Debtors' bankruptcy filings in October 2010 (and that even intermittent partial interest payments have not been made on them since May 2011), with no principal payments long before that, and the subordinated position of the bonds with respect to principal repayment.

- The Class G Bonds are notes due in 2047 in the original principal amount of $20,000,000.00 and were issued in connection with the Petra CDO. RBS holds a first priority Lien on the Class G Bonds. Aside from being fully encumbered, the Debtors believe that the Class G Bonds have minimal market value based on, among other factors, the price paid on the open market for similar securities during the last 12 months, the fact that interest has not been paid at all on the Class G Bonds since October 2010, and the subordinated position of the bonds with respect to principal repayment. Moreover, the Debtors believe that the combined current market value of the Class F Bonds and Class G Bonds is substantially less than the RBS Claim. As indicated above, RBS has taken the position that on November 24, 2009, it foreclosed upon, and became the owner of, the Class F and Class G Bonds; the Debtors disagree with RBS's position.

- The Class J Bonds are notes due in 2047 in the original principal amount of $42,500,000.00 and were issued in connection with the Petra CDO. RBS

holds a first priority Lien on the Class J Bonds, which exceed their value. Aside from being fully encumbered, the Debtors believe that the Class J Bonds have minimal market value based on, among other factors, the price paid on the open market for similar securities during the last 12 months, the fact that even partial interest has not been paid on the Class J Bonds since October 2010, and the subordinated position of the bonds with respect to principal repayment.

- The CDO securities indirectly owned by REIT include the securities owned by REIT's wholly owned subsidiary, PS SPV Corp. The assets of PS SPV Corp. primarily consist of (i) the Class K Bonds, which are notes due in 2047 in the original amount of $32,500,000 issued in connection with the Petra CDO and (ii) certain preferred shares in the original notional amount of $130,000,000.00 issued in connection with the Petra CDO. JPM holds a first priority Lien on these two assets, which exceed their value. Aside from being fully encumbered, the Debtors believe these assets have minimal market value based on, among other factors, the assets being subordinate to the Class F Bonds, Class G Bonds and Class J Bonds and that no interest or dividend payments have been made on either the Class K Bonds or preferred shares since long prior to the Debtors' bankruptcy filings. While PS SPV Corp. also owns the equity interests of certain entities, the liabilities of these entities far exceed their assets and therefore also have no market value. Specifically, PS SPV Corp. owns an indirect interest in a property known as 1122-1128 Chestnut Street in Philadelphia, which is encumbered by debts that exceed its market value and is currently not generating any cash flow.

d) Loan participations in Detwiler and Fort Tryon. REIT holds a participation in the face amount of $2,140 of a loan known as "Detwiler" and a participation in the amount of $1,178,480 in a loan known as "Fort Tryon." Both of these loans are currently in default. The Debtors believe recovery on these loans is highly speculative and therefore, the Debtors believe each of these assets is of minimal market value. Below are additional details regarding these two assets:

- The Detwiler asset is a $2,140 passive pari-passu participation in a $10,957,923 (current balance) first mortgage loan. The participation has no control or voting rights. The subject mortgage loan is currently in default and has not paid interest or principal since June 2011. The underlying property securing the indebtedness is an industrial building located at 2060 Detwiler Road in Harleysville, PA. The property underwent a gut renovation in order to reposition it as an industrial/office building. Construction was completed in November 2008. The renovation is complete and the property has remained vacant since 2008.

- The Fort Tryon asset is a $1,178,480 passive pari-passu participation in a $31,655,381 (current balance) first mortgage loan. The participation has no control or voting rights and is a participation in a non-controlling A Note subject to the terms of an intercreditor agreement. The subject mortgage loan

is currently in foreclosure and has not paid interest or principal since May, 2009. The underlying property securing the indebtedness is an irregularly shaped parcel of vacant land located at 520 Fort Washington Avenue in the Hudson Heights neighborhood of Northern Manhattan. The Sponsor had planned to construct a 25-story, 118-unit luxury condominium. The site remains unimproved and several mechanic's liens remain unpaid.

e) Equity Interests of PFRC Sub, LLC and Petra Offshore TRS L.P. REIT's assets also include the equity interests of PFRC Sub, LLC and Petra Offshore TRS L.P. Each of these entities are encumbered by liabilities that may exceed the value of their assets. PFRC Sub LLC's holdings include indirect interests in a property known as the Allerton Hotel and PFRC Sub LLC's liabilities may exceed the value of its assets, including its indirect interests in the property. PFRC Sub LLC does not receive any cash from its assets and some of its assets are subject to litigation or other proceedings that can adversely affect their value, including a bankruptcy case commenced by the owner of the Allerton Hotel.

f) Potential miscellaneous litigation claims. One of REIT's non-debtor affiliates, Petra Mortgage Capital, filed a summons with notice in the Supreme Court of the State of New York, County of New York [Index No. 650909/2011] against a law firm relating to the law firms' actions in connection with an investment by such affiliate. The Debtors have recently been advised that REIT may be a proper party in that action. If REIT is added as plaintiff, like any litigation in early stages, the prospects for recovery are uncertain and the value, if any, is currently undetermined with any level of specificity. To date, there has been no recovery on this claim or any other claims in which REIT may have an interest.

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Although many of the remaining assets of the estate are ultimately investments in real-estate and real-estate debt instruments that have declined significantly as a result of the extraordinary and unprecedented collapse of the credit and commercial real estate market – specifically, the Class F, Class G, Class J and Class K Bonds and the CDO Preferred Shares – they remain assets with at least some value and some potential for appreciation if there is an economic revival in the commercial real estate market. Moreover, at the time of the filing of the Debtors' bankruptcy filings and throughout most of the time of these cases, Debtors identified specific opportunities for potential generation and preservation of value for the benefit of the estates and their creditors. There are no assurances, however, that these assets will appreciate. See section IX - Risk Factors.

B. Claims

a) Administrative Claims. There are currently three holders of unpaid Administrative Claims: (i) Dickstein Shapiro LLP currently holds an unpaid Administrative Claim in the amount of approximately $800,000; (ii) PricewaterhouseCoopers LLC currently holds an unpaid Administrative Claim in the amount of approximately $60,000; and (iii) the Examiner and his professionals currently hold an unpaid Administrative Claim in the amount of approximately $300,000. Moreover, the Debtors anticipate that the Debtors' Professionals will

provide services to the Debtors and incur expenses from the date hereof until the Effective Date that will result in at least an additional $200,000 in Administrative Claims.

All of the claims of the Examiner and his professionals have been Allowed. The claims of Dickstein Shapiro LLP and PricewaterhouseCoopers LLC, including both amounts paid pursuant to interim fee orders entered by the Court, and unpaid, remain subject to a Final Order Allowing such Claims.

b) Priority Tax Claims. There were no proofs of claim filed against either Debtor asserting a Priority Tax Claims and the Debtors believe no such Claim exists against their bankruptcy estate. See section IV. C – Treatment of Allowed Priority Tax Claims.

c) Secured Claims Against Offshore. There were no proofs of claim filed against Offshore claiming a secured claim.

d) Secured Claims Against REIT. JPM (as Successor in Interest to Bear, Stearns Funding, Inc.) filed a secured claim against REIT in the amount of $17,654,498.00, which is secured by a first priority Lien on the Class K Bonds and the CDO Preferred Shares. [Claim No. 12.] As set forth in section 4.2 of the Plan, and in an effort to effectuate a fair and equitable restructuring of REIT, JPM and the Debtors have agreed that (i) JPM will waive its right to the full amount of its claim and accept a new debt instrument for over three million dollars less – in the amount of $14,598,737.00; and (ii) the new debt instrument will continue to be secured by, and paid solely from proceeds of, JPM's first-priority Lien on the Class K Bonds and the CDO Preferred Shares.

RBS filed a proof of claim against REIT asserting a secured claim in the amount of $123,578,893.53, less the value of certain collateral seized by RBS prepetition. [Claim No. 13.] RBS's proof of claim asserts that RBS owns the Class F Bonds and Class G Bonds having foreclosed on those assets in November 2009 prior to the Petition Date, and that it holds a first priority Lien on the Class J Bonds. The Debtors disagree with that position and contend that RBS holds a first priority Lien on the Class F Bonds, Class G Bonds and Class J Bonds. As set forth in section 4.3 of the Plan, and in an effort to effectuate the fair and equitable restructuring of REIT as embodied in the Plan, RBS and the Debtors have agreed that (i) the Debtors will not challenge RBS's position that it foreclosed on and now owns the Class F Bonds and Class G Bonds, and the Class F Bonds and Class G Bonds will be deemed to have been transferred to RBS to the extent that the Class F Bonds and Class G Bonds were not in fact previously foreclosed upon by RBS; (ii) RBS will receive a new debt instrument in the amount of $10,000,000.00, and such instrument will continue to be secured by, and paid solely from proceeds of, RBS's continuing first-priority Lien on the Class J Bonds; and (iii) RBS shall be entitled to an Allowed General Unsecured Claim in the amount of $10,000,000.00, representing an agreed upon, substantially reduced, deficiency claim arising out of the discrepancy between the amount of the RBS Claim on the one hand, and the current market value of the Class F Bonds, Class G Bond and the RBS Debt on the other hand.

e) General Unsecured Claims Against Offshore. There were three proof of claims filed against Offshore. Each of the claims are asserted by claimants asserting the same or similar claims against REIT. Because all Assets of Offshore have a zero or negative

value, each such claimant will not receive any distribution on account of its claim against Offshore and will only receive a distribution on account of its claim against REIT.

f) General Unsecured Claims Against REIT. There have been 14 general unsecured proofs of claim filed against REIT that total $888,923,350.21. Of these claims, 10 claims totaling $823,000,000 were filed by certain related parties with overlapping claims arising out of a certain loan transaction involving a property known as 627 Greenwich (the "627 Greenwich claims"). [Claim Nos. 3-11, 15-16.] The 627 Greenwich Claims do not state a valid basis for liability or attach any supporting documents. The claim filed by Sunkap Boca Raton Member LLC (the "Sunkap Claim") similarly fails to state a valid claim against the debtors or attach supporting documents. [Claim No. 2]. The Debtors believe that the 627 Greenwich Claims and Sunkap Claim are not valid claims against the estate and anticipate that they (or Reorganized Petra) will move to expunge and disallow these claims, but only if there are Distributable Assets available to be distributed to the holders of General Unsecured Claims.

g) Subordinated Claims. The Petra CDO Issuer holds a Subordinated Claim in the amount of $52,589,004.61. Due to the terms of the underlying claim, this claim is subordinate to all other General Unsecured Claims and will receive no distribution under the Plan. See section IV. E – Treatment of Claims and Interest.

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Based on the foregoing, the Debtors believe that (A) there will be Allowed Administrative Claims in the amount of approximately $1,500,000 and (B) the final class of Allowed General Unsecured Claims against REIT will consist of (i) KBS ($65,922,650.21 – see Claim No. 1); (ii) certain professionals that rendered prepetition services to the Debtors ($201,450.00 – see Amended Schedule F of REIT [ECF No. 153]); (iii) Petra Capital Management LLC ($4,900,000 – see Amended Schedule F of REIT [ECF No. 153]); and (iv) RBS ($10,000,000.00 deficiency claim – see section 4.3 of the Plan).

Notwithstanding anything stated herein, the Debtors reserve all rights to object (or not object) to any proof of claim or any request for the allowance of an Administrative Claim filed against the Debtors and nothing stated herein may be construed as a waiver of those rights or as an admission to the validity or amount of any claim. Moreover, there are no assurances that should the Debtors (or Reorganized Petra) object to any proof of claim or request for allowance of an Administrative Claim, including the 627 Greenwich Claims and Sunkap Claim, that the Court will grant such objection.

IV. DESCRIPTION OF THE PLAN

THE FOLLOWING IS A BRIEF SUMMARY OF THE TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN. THE DESCRIPTION OF THE PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY. CREDITORS, INTEREST HOLDERS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW THE MORE DETAILED DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN ITSELF, WHICH IS ANNEXED AS EXHIBIT A TO THIS DISCLOSURE STATEMENT. THE SUMMARIES OF THE PLAN AND THE DOCUMENTS RELATED THERETO ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN AND ITS EXHIBITS.

A. Overview of the Plan

The Plan provides for the dissolution of Offshore, sale of the Settlement Payments, sale of the Equity Interests and reorganization of REIT and the treatment of each holder of a Claim against, or Equity Interests in, the Debtors. Such treatment includes the payment in full of all Administrative Claims, unless otherwise agreed to; with respect to RBS, the deemed delivery of the Class F Bonds and Class G Bonds (to the extent the Class F Bonds and Class G Bonds were not previously foreclosed upon by RBS), the issuance of a new debt instrument that will continue to be secured by a first-priority Lien on the RBS REIT Collateral and the allowance of an unsecured deficiency claim; with respect to JPM, the issuance of a new debt instrument that will continue to be secured by a first-priority Lien on the JPM REIT Collateral; the distribution to holders of General Unsecured Claims of a Pro Rata Share of the Distributable Assets, if there are any; and cancellation of all existing Equity Interests. With respect to the sales transactions contemplated in the Plan, notice that the Debtors will be accepting bids for the Settlement Payments and/or Equity Interests of REIT will be provided to all Creditors and holders of Equity Interests of the Debtors.

Set forth below is a table summarizing the classification and treatment of Claims and Interests under the Plan and the estimated distributions to be received by the holders of such Claims and Interests thereunder. The actual distributions may differ from those set forth in the table depending on the amount of Claims ultimately Allowed in each category or Class and the amount of cash ultimately available for distribution.

DESCRIPTION/ CLASS	TREATMENT	ENTITLED TO VOTE	ESTIMATED AMOUNT
Administrative [UNCLASSIFIED]	Unimpaired	No	$1,000,000.00
Priority Tax Claims [UNCLASSIFIED]	Unimpaired	No	$0
Class 1 Claims: Secured Claims of JPM	Impaired	Yes	No cash; will receive new secured debt instrument
Class 1A Claims: Secured Claims of RBS	Impaired	Yes	No cash; will receive Class F Bonds and Class G Bonds (to the extent the Class F Bonds and Class G Bonds were not previously foreclosed upon) and new secured debt instrument
Class 2 Claims: Other Secured Claims	Impaired	Yes	$0

Class 3: General Unsecured Claims of Debtors	Impaired	Yes	$0; unless the Sale Proceeds collected by REIT in the auctions conducted pursuant to section 5.4 of the Plan are substantially higher than the opening bids.
Class 4: Subordinated Claims	Impaired	No	$0
Class 5: Interest in REIT	Impaired	No	$0
Class 6: Interest in Offshore	Impaired	No	$0

B. Treatment of Allowed Administrative Claims

Except to the extent that an Allowed Administrative Claim has been paid prior to the Effective Date or a holder thereof agrees otherwise, each holder of an Allowed Administrative Claim shall receive as soon as is reasonably practicable after the Effective Date, which is presumed to be not more than thirty (30) days after the Effective Date, payment in Cash of the unpaid portion of an Allowed Administrative Claim in full and complete settlement, release and discharge of such Claim, provided, however, that if an Administrative Claim becomes Allowed after the Effective Date, such Administrative Claim shall be paid within thirty (30) days of becoming Allowed. Allowed Administrative Claims are not Impaired and thus the holders of such Claims are presumed to accept the Plan and are not entitled to vote on the Plan.

Requests for payment of Administrative Claims that are to be sought through the Court, including, but not limited to, Fee Claims, must be Filed and served on the Debtors' counsel and the office of the United States Trustee, no later than thirty days (30) after the Effective Date unless otherwise ordered by the Court (the "Administrative Claim Bar Date"). Any Person that is required to serve a request for payment of an Administrative Claim and fails to timely serve such request, shall be forever barred, estopped and enjoined from asserting such Claim or participating in distributions under the Plan on account thereof. The Debtors or Reorganized Petra may object to requests for payment of Administrative Claims, other than Fee Claims, by Filing and serving such objection on the requesting party at any time. Any objection to Fee Claims must be Filed and served on Debtors' counsel and the office of the U.S. Trustee, as well as the Professional or other Person requesting allowance of such Claims, on or before the date that is fourteen (14) days (or such longer period as may be allowed by agreement of the Debtors or by order of the Court) after the date on which the applicable application was served.

C. Treatment of Allowed Priority Tax Claims.

To the extent there are any Allowed Priority Tax Claims, each holder of an Allowed Priority Tax Claim, if any, shall be paid in respect of such Allowed Claim either (a) the full amount thereof, without post-petition interest or penalty, in Cash, or (b) such lesser amount as the holder of an Allowed Priority Tax Claim, on the one hand, and the Debtors or Reorganized Petra, on the other hand, might otherwise agree. Payment to the holders of an Allowed Priority Tax Claim will be made as soon as practicable after the later of (i) the Effective Date; (ii) the date on which such Claim becomes an Allowed Claim; or (iii) upon other agreed terms. Such Claims are not Impaired and thus the holders of such Claims are presumed to accept the Plan and are not entitled to vote on the Plan.

Based on discussions with their tax professionals, Debtors do not currently believe there are any such Claims that will be Allowed in any substantial amount, if at all. Debtors had held discussions with the Internal Revenue Service ("IRS") regarding an alleged claim for several hundred thousand dollars asserted against them that was set forth in Debtors' schedules as disputed. The IRS did not file a proof of claim in the Debtors' chapter 11 cases and the time to do so expired approximately eight months ago. As such, the Debtors believe the Internal Revenue Service is now barred from asserting any Priority Tax Claim against the Debtors.

D. Classification of Claims and Interests

Administrative Claims and Priority Tax Claims are unclassified. For purposes of the Plan, all other Claims and Interests are classified as follows:

1. Class 1 Claims shall consist of the Secured Claims of JPM.

2. Class 1A Claims shall consist of the Secured Claims of RBS.

3. Class 2 Claims shall consist of all Other Secured Claims.

4. Class 3 Claims shall consist of all General Unsecured Claims of Debtors.

5. Class 4 Claims shall consist of all Subordinated Claims.

6. Class 5 Claims shall consist of all Interests in REIT.

7. Class 6 Claims shall consist of all Interests in Offshore.

E. Treatment of Claims and Interests

The treatment of and consideration to be received by holders of Allowed Claims and Interests pursuant to Article IV of the Plan shall be in full and complete satisfaction, settlement, release, discharge of and in exchange for such Claims and Interests. The Debtors' obligations in respect of such Claims and Interests shall be satisfied in accordance with the terms of the Plan.

1. Treatment of Class 1 Claims - Secured Claims of JPM.

Class 1 Claims are Impaired. Based upon negotiations between the Debtors and JPM, JPM shall receive the following treatment: (a) JPM's Secured Claims shall be exchanged for the JPM Debt, which shall continue to be secured by, and payable solely from proceeds of, the Class K Bonds and the CDO Preferred Shares; and (b) JPM shall not receive any additional distribution as a holder of a General Unsecured Claim, including with respect to any deficiency amount represented by the difference between the amount of JPM's Secured Claims and the JPM Stipulated Claim Amount. The holder of Claims in this Class is entitled to vote in the amount equal to the original principal amount of the new debt instrument to be issued under section 6.4(A) of the Plan.

2. Treatment of Class 1A Claims – Secured Claims of RBS.

Class 1A Claims are Impaired. Based upon negotiations between the Debtors and RBS, RBS shall receive the following treatment: (a) On or before the Effective Date, the Class F Bonds and Class G Bonds will be deemed to have been transferred to RBS to the extent that the Class F Bonds and Class G Bonds were not in fact previously foreclosed upon by RBS (which is Debtors' position), and shall execute any documents necessary to effect the foregoing; (b) RBS will receive a new debt instrument in the original principal amount of $10,000,000.00 and such instrument will continue to be secured by, and payable solely from proceeds of, RBS's first priority Lien on the Class J Bonds; and (c) RBS shall be entitled to an Allowed Class 3 General Unsecured Claim in the amount of $10,000,000.00 for which it will be entitled to vote in such class for such amount. The holder of Claims in this Class is entitled to vote in the amount equal to the original principal amount of the new debt instrument issued under section 6.4(B) of the Plan.

3. Treatment of Class 2 Claims – Other Secured Claims.

Class 2 Other Secured Claims are Impaired. To the extent there are any Claims in this Class, each such Claim shall be deemed to be a separate subclass. Each holder of an Allowed Class 2 Claim shall be paid from the balance of Sale Proceeds that are available only after payment of US Trustee fees, Administrative Claims and Priority Tax Claims, as applicable, are paid in full. The holders of Claims in this Class are entitled to vote.

4. Treatment of Class 3 Claims – General Unsecured Claims of Debtors.

Class 3 Claims are Impaired. Each holder of an Allowed Class 3 General Unsecured Claim shall receive, as soon as is reasonably practicable after the Effective Date, which is presumed to be not later than one hundred and twenty (120) days after the Effective Date, Cash in an amount equal to a pro rata share of the Distributable Assets in a pro rata amount equal to 100% of such holders' Allowed Class 3 General Unsecured Claim. Because all Assets of Offshore have a zero or negative value, to the extent a holder of Class 3 General Unsecured Claims holds Claims against both REIT and Offshore, such holder shall not receive any distribution on account of its Claim against Offshore and shall only receive a distribution on account of its Claim against REIT. Based on the current projected amount of Sale Proceeds, it is anticipated that (i) there will be no Distributable Assets available for distributions to the holders of Class 3 General Unsecured Creditor Claims and (ii) there will only be Distributable Assets available for distribution to holders of Class 3

Claims if the Debtors receive bids substantially higher than the SP Purchase Price set forth in section 5.2 of the Plan and/or the REIT Purchase Price set forth in section 5.3 of the Plan. The holders of Claims in this Class are entitled to vote.

5. Treatment of Class 4 Subordinated Claims – Claims of Petra CDO Issuer.

Class 4 Subordinated Claims are Impaired. Petra CDO Issuer shall receive no distributions whatsoever on account of its Class 4 Subordinated Claims. As the holders of Class 4 Subordinated Claims are receiving no distributions, they are conclusively presumed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

6. Treatment of Class 5 Interests in REIT.

Class 5 Interests are Impaired. The holders of Class 5 Interests shall receive no distributions whatsoever on account of such Class 5 Interests. All Class 5 Interests shall be cancelled on the Effective Date. As the holders of Class 5 Interests are receiving no distributions, they are conclusively presumed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

7. Treatment of Class 6 Interests in Offshore.

Class 6 Interests are Impaired. The holders of Class 6 Interests shall receive no distributions whatsoever on account of such Class 6 Interests. All Class 6 Interests shall be cancelled on the Effective Date. As the holders of Class 6 Interests are receiving no distributions, they are conclusively presumed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

8. Settlement of Claims.

To the extent any of the treatments of Creditors or holders of Interests described in Article IV of the Plan is the result of negotiations, entry of the Confirmation Order will constitute the Bankruptcy Court's approval pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 of the treatment of Claims and Interests contained in Article IV of the Plan, which includes by reference each of the related provisions and definitions contained herein, and further, will constitute the Bankruptcy Court's finding that such treatments are (i) in exchange for good and valuable consideration provided by the Debtors and/or the Creditors, representing good faith settlement and compromise of the claims and interests; (ii) in the best interest of the Debtors and all holders of Claims; (iii) fair, equitable, and reasonable; and (iv) approved after due notice and opportunity for hearing.

F. Means for Implementation of the Plan

1. Dissolution of Offshore.

On the Effective Date and automatically and without further action, (i) each existing executive, officer, director, general or managing partner, and employee of Offshore will be deemed

terminated (ii) Offshore shall be deemed dissolved for all purposes without the necessity for any further actions to be taken by or on behalf of any Offshore; (iii) Offshore's Equity Interests shall be cancelled; and (iv) all Assets of Offshore shall be deemed abandoned, except any Equity Interests of REIT indirectly owned by Offshore, which shall be sold pursuant to sections 5.3 and 5.4 of the Plan. Notwithstanding the foregoing, Offshore's officers, directors, employees, and/or general or managing partner shall be authorized to continue to act for the limited purpose of facilitating the winding down of Offshore's affairs and assets.

2. Sale of Settlement Payments.

Unless an auction is to occur pursuant to section 5.4 of the Plan, on or before the Effective Date, ABC Corp. shall buy the $2,000,000.00 in Settlement Payments that remain outstanding, which are due to be paid as follows: (i) $125,000 in July 2012; (ii) $125,000 in December 2012; (iii) $125,000 in July 2013, (iv) $250,000 in December 2013; (v) $500,000 in June 2014; and (vi) $875,000 in December 2014. ABC Corp. shall make such purchase from REIT, free and clear of all Liens and claims, by paying REIT nine hundred thousand dollar ($900,000 USD) in Cash pursuant to the Settlement Payments Purchase Agreement to be included in the Plan Supplement and approved in connection with Confirmation of the Plan.

3. Sale of Equity Interests of REIT.

Unless an auction is to occur pursuant to section 5.4 of the Plan, on or before the Effective Date, ABC Corp. shall buy all the Equity Interests of REIT for the collective REIT Purchase Price of fifty thousand dollars ($50,000 USD) pursuant to the Stock Purchase Agreement to be included in the Plan Supplement and approved in connection with Confirmation of the Plan, by paying such amount to REIT. Such purchase of the Equity Interests of REIT, by ABC Corp. or by the Winning REIT Bidder pursuant to an auction in accordance with section 5.4 of the Plan, shall be subject only to (i) the JPM Debt and JPM's first-priority Lien on the Class K Bonds and the CDO Preferred Shares and (ii) the RBS Debt and RBS's first-priority Lien on the Class J Bonds, but otherwise shall be free and clear of all Liens or claims; provided, however, that nothing herein shall prevent Reorganized Petra, after the Effective Date and subsequent to the closing of the sale of the Equity Interests in REIT, from agreeing to provide any Liens (a) subordinate to JPM on the JPM REIT Collateral so long as the documentation pertaining to the grant of such Lien and any related financing is in form and substance acceptable to JPM, (b) subordinate to RBS on the RBS REIT Collateral so long as the documentation pertaining to the grant of such Lien and any related financing is in form and substance acceptable to RBS, or (c) on any of its assets other than the Class J Bonds, the Class K Bonds and the CDO Preferred Shares.

The Remaining REIT Assets that shall be owned by REIT at the closing of the sale of the Equity Interests of REIT, and will continue to be owned by Reorganized Petra, are all the Assets listed on the Debtors' publicly filed schedules (as amended) and described herein (see Section III A. – Assets), other than (i) the Settlement Payments, which shall be sold pursuant to section 5.2 of the Plan; and (ii) the Class F Bonds and Class G Bonds. For Potential REIT Bidders, documentation providing additional details and descriptions of the Remaining REIT Assets, including the Indenture, may be obtained upon request made to Debtors' counsel.

4. Auction Procedures.

(A) Settlement Payments. If any person other than ABC Corp. is interested in purchasing the Settlement Payments, then the following procedures shall apply:

(i) on or before ten days after the Confirmation Date, such Potential SP Bidder must submit to Debtors' counsel (1) its bid, in writing, for the Settlement Payments, which bid must be an all cash offer and a minimum of fifty thousand dollars ($50,000 USD) greater than the SP Purchase Price; (2) an executed copy of the Settlement Payments Purchase Agreement modified only to reflect the Potential SP Bidder's bid; and (3) reasonably acceptable evidence that the Potential SP Bidder will be able to pay for its bid;

(ii) subject to sub-section (iii) below, whichever Potential SP Bidder, if any, that submits the highest and best Qualified SP Bid shall be declared the Highest SP Bidder and such Highest SP Bidder shall be declared the Winning SP Bidder of the auction; provided, however, that in lieu of any other "stalking horse" protections, ABC Corp. shall have the right to submit a bid that is a minimum of fifty thousand dollars ($50,000 USD) greater than the Qualified SP Bid of the Highest SP Bidder and, if it elects to submit such a bid, shall be deemed to be the Winning SP Bidder;

(iii) subject to sub-section (iv) below, if the Winning SP Bidder is the Highest SP Bidder, payment in full for such bid must be made not later than three days after being declared by Debtors that it was the Winning SP Bidder. If such payment is not made, the Potential SP Bidder (if any) with the next highest Qualified SP Bid shall be declared the Winning SP Bidder (the "Substitute Winning SP Bidder"); provided, however, that the Substitute Winning SP Bidder shall also be required to submit payment for its bid not later than three days after being declared by Debtors as the new Winning SP Bidder;

(iv) Notwithstanding anything to the contrary, ABC Corp. shall be deemed the Winning SP Bidder if any of the following occur: (a) there are no Qualified SP Bids; (b) ABC Corp. submits a bid pursuant to sub-section (ii) above; (c) the Highest SP Bidder fails to make timely payment in full for its bid and there is no other Potential SP Bidder with a Qualified SP Bid who can become the Substitute Winning SP Bidder; (d) to the extent there is a Substitute Winning SP Bidder, ABC Corp. makes a bid that is a minimum of fifty thousand dollars ($50,000 USD) greater than the bid made by the Substitute

Winning SP Bidder, or (e) the Substitute Winning SP Bidder fails to make timely payment in full for its bid. If ABC Corp. is the Winning SP Bidder, payment in full shall be made on or before the Effective Date; and

(v) For the avoidance of doubt, Potential SP Bidders will only be allowed to submit one "highest and best offer" qualifying bid and will not be allowed to submit any other bids if ABC Corp. submits a bid pursuant to sub-sections (ii) or (iv) above.

(B) Equity Interests of REIT. If any person other than ABC Corp. is interested in purchasing the Equity Interests of REIT, then the following procedures shall apply:

(i) on or before ten days after the Confirmation Date, such Potential REIT Bidder must submit to Debtors' counsel (1) its bid, in writing, for the Equity Interests of REIT, which bid must be an all cash offer and a minimum of ten thousand dollars ($10,000 USD) greater than the REIT Purchase Price; (2) an executed copy of the Stock Purchase Agreement modified only to reflect the Potential REIT Bidder's bid; and (3) reasonably acceptable evidence that the bidder will be able to pay for its bid;

(ii) subject to sub-section (iii) below, whichever Potential REIT Bidder, if any, that submits the highest and best Qualified REIT Bid shall be declared the Highest REIT Bidder and such Highest Bidder shall be declared the Winning REIT Bidder of the auction; provided, however, that (a) in lieu of any other "stalking horse" protections, ABC Corp. shall have the right to match the Qualified REIT Bid of the Highest REIT Bidder; (b) such Highest REIT Bidder shall have the continuous right to submit another bid that is a minimum of ten thousand dollars ($10,000 USD) greater than any bid matched by ABC Corp. and ABC Corp. shall have the continuous right to match such Qualified REIT Bids; and (c), if ABC Corp. elects to submit such matching bid(s), it shall be deemed to be the Winning REIT Bidder;

(iii) subject to sub-section (iv) below, if the Winning REIT Bidder is the Highest REIT Bidder, payment in full for such bid must be made not later than three days after being declared by Debtors that it was the Winning REIT Bidder. If such payment is not made, the Potential REIT Bidder (if any) with the next highest Qualified REIT Bid shall be declared the Winning REIT Bidder (the "Substitute Winning REIT Bidder"); provided, however, that the Substitute Winning

REIT Bidder shall (a) be subject to ABC Corp.'s continuous matching rights and have the continuous right to top any matching bid, as described in sub-section (ii) above; and (b) also be required to submit payment for its bid not later than three days after being declared by Debtors as the new Winning REIT Bidder; and

(iv) Notwithstanding anything to the contrary, ABC Corp. shall be deemed the Winning REIT Bidder if any of the following occur: (a) there are no Qualified REIT Bids; (b) ABC Corp. submits a matching bid pursuant to sub-section (ii) above; (c) the Highest REIT Bidder fails to make timely payment in full for its bid and there is no other Potential REIT Bidder with a Qualified REIT Bid who can become the Substitute Winning REIT Bidder; (d) to the extent there is a Substitute Winning REIT Bidder, ABC Corp. makes a matching bid to the bid made by the Substitute Winning REIT Bidder pursuant to sub-sections (ii) and (iii) above; or (e) the Substitute Winning REIT Bidder fails to make timely payment in full for its bid. If ABC Corp. is the Winning REIT Bidder, payment in full shall be made on or before the Effective Date.

5. Corporate Existence of REIT.

Except as otherwise provided in the Plan, REIT shall continue to exist after the Effective Date as a separate corporate entity, with all the powers of a corporation under applicable law in the jurisdiction in which it is formed and pursuant to all operative documents in effect prior to the Effective Date, except to the extent such documents are authorized to be amended under the Plan, without prejudice to any right to terminate such existence (whether by merger or otherwise) or otherwise amend the operative documents under applicable law after the Effective Date.

6. Reissued Shares of Reorganized Petra.

On the Effective Date, or immediately thereafter (i) REIT's existing Equity Interests shall be cancelled; (ii) REIT shall reissue the Reissued Shares to the Winning REIT Bidder; and (iii) such shares shall reflect the change of REIT's corporate name to Reorganized Petra Corp. (or such other name reasonably chosen by Winning REIT Bidder). Notwithstanding anything to the contrary, in connection with its receipt of the Reissued Shares and becoming the owner of Reorganized Petra, the Winning REIT Bidder may also cause Reorganized Petra to issue preferred or other classes of shares in connection with tax, regulatory or similar requirements. Under Section 1145 of the Bankruptcy Code, the issuance of the Reissued Shares under the Plan shall be exempt from registration under the Securities Act of 1933 and applicable state and local laws requiring registration of securities. The Reissued Shares will not be listed on any securities exchange or any quotation system.

7. Board of Directors and Officers of Reorganized Petra.

(A) ABC Corp. as Purchaser of REIT Equity Interests. If ABC Corp. purchases the Equity Interests of REIT, as Winning REIT Bidder or otherwise, the REIT Directors and REIT Officers shall remain with Reorganized Petra, each in their respective capacity (or capacities, as the case may be) and each shall continue to serve Reorganized Petra in accordance with all operative documents in effect prior to the Effective Date, provided, however, that nothing herein shall preclude Reorganized Petra from (i) amending any such operative document in accordance with applicable law and (ii) adding or eliminating any director or officer in accordance with such operative documents.

(B) Other Winning REIT Bidder. If a Person other than ABC Corp. is the Winning REIT Bidder and purchases the Equity Interests of REIT in accordance with section 5.4 of the Plan, then after the Effective Date all decisions relating to the management, control and operation of Reorganized Petra, including the makeup of its board of directors and officers, shall be made by such Winning REIT Bidder in accordance with all operative documents in effect prior to the Effective Date, and such operative documents may be amended by Reorganized Petra in accordance with applicable law.

8. Reserves.

Reorganized Petra shall hold the Sale Proceeds in a segregated reserve account, which shall only be used to make all distributions to holders of Allowed Claims in accordance with Articles II and IV of the Plan. Distributions from the Reserve Account shall be made in the following order: First, to the Office of U.S. Trustee in accordance with Section 2.3 of the Plan. Second, to Allowed Administrative Claims in accordance with Section 2.2 of the Plan. Third, to Allowed Priority Tax Claims, if any, in accordance with Section 2.5 of the Plan. Fourth, to Allowed Class 2 Other Secured Claims, if any, in accordance with Section 4.4 of the Plan. Fifth, to Allowed Class 3 General Unsecured Claims in accordance with Section 4.5 of the Plan, to the extent there are any Distributable Assets remaining in the Reserve Account that are available for distribution. Notwithstanding the foregoing , to the extent (an) Administrative Claim(s) has/have not been Allowed but has/have been timely filed and there is no Final Order disallowing such Claim(s), no distributions may be made on account of any Allowed Class 2 or 3 Claims unless 100% of the amount of such unresolved Administrative Claim(s) shall remain in the Reserve Account after all distributions to holders of Class 2 and 3 Claims pending the issuance of a Final Order on the allowance of such Administrative Claims(s).

9. Winding Up Affairs.

Following the Confirmation Date, the Debtors shall take any actions reasonably necessary to effectuate the Plan, including, but not limited to, executing the Settlement Payments Purchase Agreement and the Stock Purchase Agreement, otherwise closing on the transactions contemplated by such agreements, taking all steps described in section 5.6 of the Plan and making any distributions described in section 6.4 of the Plan.

10. Release of Liens.

Except as otherwise provided in the Plan (including Article VI) or in any contract, instrument or other agreement or document created in connection with the Plan, on the Effective Date, all mortgages, deeds of trust, liens or other security interests against the Remaining REIT Assets shall be released.

11. Preservation of Causes of Action.

Any pending litigation claims in favor of the Debtors are preserved under the Plan, as well as the rights to enforce the Settlement Payments and related claims, which rights and claims related to the Settlement Payments shall be transferred to ABC Corp. as purchaser of the Settlement Payments (or to a Winning SP Bidder other than ABC Corp., as applicable) along with the Settlement Payments.

12. Operations Between the Confirmation Date and the Effective Date and After the Effective Date.

The Debtors shall continue to operate as debtors in possession, subject to the supervision of the Court, during the period from the Confirmation Date through and until the Effective Date. After the Effective Date, Reorganized Petra shall be authorized to operate as a non-debtor, corporate entity; provided, however, that the Debtors and Reorganized Petra shall remain liable for fees owed by the Debtors to the Office of the United States Trustee through the entry of a final decree closing the Chapter 11 Cases. Upon the filing with the Court of a notice of the occurrence of the Effective Date, each of the Debtors shall be authorized to file an application for final decree to close their respective Chapter 11 Case.

13. Injunction.

All Persons who have held, hold or may hold Claims against or Equity Interests in the Debtors, are permanently enjoined, on and after the Effective Date, from directly or indirectly: (i) commencing or continuing in any manner any action or other proceeding of any kind against Debtors and/or Reorganized Petra or their assets or properties with respect to any such Claim or Equity Interest; (ii) enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order against Debtors and/or Reorganized Petra on account of any such Claim or Equity Interest; (iii) creating, perfecting or enforcing any encumbrance of any kind against Debtors and/or Reorganized Petra or their assets or properties on account of any such Claim or Equity Interest; (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors against the property or interests in property of Debtors and/or Reorganized Petra on account of any such Claim or Equity Interest; and (v) commencing or continuing in any manner any action or other proceeding of any kind against Reorganized Petra or their assets or properties. Nothing in the foregoing paragraph, however, shall interfere with any remedy available to JPM or RBS under their respective new debt instruments to be issued under Article VI of the Plan.

G. Provisions Regarding Voting and Distributions Under the Plan

1. Voting of Claims and Interests.

Each holder of record as of the Voting Record Date of an Allowed Claim in an Impaired Class of Claims set forth in Article IV of the Plan shall be entitled to vote separately to accept or reject the Plan with regard to each Impaired Class of Claims as provided in the Procedures Order. If the Debtors or Reorganized Petra object to a Claim, the Claim becomes a Disputed Claim. The holder of a Disputed Claim is not entitled to vote on the Plan unless the Debtors or such holder of the Disputed Claim obtains an order of the Court estimating the amount of the Disputed Claim for voting purposes. If the Debtors do not object to a Claim prior to the date on which the Disclosure Statement and Ballots are transmitted to holders of Claims or Interests entitled to vote, then the holder of such Claim will be permitted to vote on the Plan in the full amount of the Claim as filed, provided, however, that if the proof of claim is marked, or is by its terms, contingent, unliquidated or disputed on its face, either in whole or in part, then such Claim will be permitted to vote on the Plan only in the amount of $1.00, unless a different amount for voting purposes is otherwise provided for in the Plan.

2. Elimination of Vacant Classes.

Any Class of Claims that is not occupied as of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily allowed under Bankruptcy Rule 3018 or as to which no vote is cast shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

3. Nonconsensual Confirmation.

If any Impaired Class of Claims or Interests entitled to vote shall not accept the Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code, then the Debtors reserve the right to amend the Plan in accordance with section 10.1 of the Plan or to undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code, or both.

4. Distribution Provisions.

(A) Distributions to JPM. On or before the Effective Date, REIT shall issue a debt instrument to JPM, in a form satisfactory to JPM, in the original principal amount of the JPM Stipulated Claim Amount. The JPM Debt will be non-recourse and shall be secured by JPM's continuing perfected first-priority Lien on, and payable solely from proceeds of, the Class K Bonds and the CDO Preferred Shares. Until the JPM Debt is repaid in full, promptly following each "Payment Date" under the Indenture, Reorganized Petra shall distribute the JPM Debt Collateral Cash Flow to the holders of the JPM Debt. The JPM Debt Collateral Cash Flow shall be distributed to the holder of the JPM Debt on a monthly basis.

(B) Distribution to RBS**.** On or before the Effective Date, (i) the Class F Bonds and Class G Bonds will be deemed to have been transferred to RBS to the extent that the Class F Bonds

and Class G Bonds were not in fact previously foreclosed upon by RBS (which is the Debtors' position), and REIT shall execute any documents necessary to effect the foregoing; and (ii) REIT shall issue a debt instrument to RBS, in a form satisfactory to RBS, in the original principal amount of $10,000,000.00. The RBS Debt will be non-recourse and shall be secured by RBS's continuing perfected first-priority Lien on, and payable solely from proceeds of, the Class J Bonds. Until the RBS Debt is repaid in full, promptly following each "Payment Date" under the Indenture, Reorganized Petra shall distribute the RBS Debt Collateral Cash Flow to the holders of the RBS Debt. The RBS Debt Collateral Cash Flow shall be distributed to the holder of the RBS Debt on a monthly basis.

(C) Distributions to Holders of General Unsecured Claims. To the extent there are any Distributable Assets, as soon as practicable after the Effective Date, and presumed to be not later than one hundred and twenty (120) days after the Effective Date, Reorganized Petra shall make distributions to holders of Allowed General Unsecured Claims pursuant to sections 4.5 and 5.8 of the Plan.

(D) Record Date. Neither the Debtors nor Reorganized Petra shall have any obligation to recognize the transfer of any Allowed Claim that occurs after the Confirmation Date, and will be entitled for all purposes herein to recognize and distribute only to those Holders of Allowed Claims who are Holders of such Claims as of the Confirmation Date.

5. Delivery of Distributions.

Subject to Bankruptcy Rule 9010, distributions to holders of Allowed Claims shall be made by Reorganized Petra at the last known address of such holders or at the addresses set forth in any written notices of address changes delivered to the Debtors or Reorganized Petra. If any Holder's distribution is returned as undeliverable, no further distribution to such holder shall be made unless and until the Debtors or Reorganized Petra is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest. All distributions pursuant to the Plan shall not require any equity securities to be distributed. All distributions pursuant to the Plan shall not require the Debtors or Reorganized Petra to attempt to locate any holder of an Allowed Claim other than by reviewing the records of the Reorganized Debtors.

6. Distribution of Cash.

Any Cash payments to be made pursuant to the Plan may be made by Cash, draft, check, wire transfer, or as otherwise required or provided any relevant agreements or applicable law at the option of Reorganization Petra.

7. Failure to Negotiate Checks.

Checks issued in respect of distributions under the Plan shall be null and void if not negotiated within ninety (90) days after the date of issuance. Any amounts returned to Reorganized Petra in respect of such non-negotiated checks shall be held by Reorganized Petra. Request for reissuance of any such check shall be made directly to Reorganized Petra by the Holder of the Allowed Claim with respect to which such check originally was issued. All amounts represented by any voided check will be held until nine (9) months after such voided check was issued, and any

requested or reissuance by the holder of the Allowed Claim in respect of a voided check are required to be made prior to such date. Thereafter, all such amounts shall be deemed to be Unclaimed Property in accordance with section 6.12 of the Plan, and all Claims in respect of voided checks and the underlying distributions shall be forever barred, estopped and enjoined from assertion in any manner against the Debtor, the Estate or Reorganized Petra.

8. Objections to Claims.

Subject to the provisions of Article II of the Plan, objections to Claims, including, but not limited to, Administrative Claims and Fee Claims, shall be Filed by the Debtors or Reorganized Petra and served upon each affected Creditor at any time.

9. Litigation of Claims.

Subject to Court approval, objections to Claims may be litigated to judgment, settled or withdrawn.

10. Distribution of Objected Claims.

Distributions with respect to and on account of Claims to which objections have been filed will be made as soon as practicable after an order, judgment, decree or settlement agreement with respect to such Claim becomes a Final Order and such Claim becomes an Allowed Claim, and the applicable holder of such Claim shall not receive interest on its Allowed Claim.

11. Reserves for Disputed Class 3 Claims.

Prior to any distributions to the holders of Allowed Class 3 Claims, if any, Reorganized Petra shall reduce out of such distribution an amount for all Disputed Class 3 Claims equal to the Pro Rata share of the Disputed Class 3 Claims and maintain such amount in the Reserve Account.

12. Unclaimed Property.

If any distribution remains unclaimed for a period of ninety (90) days after it has been delivered (or attempted to be delivered) in accordance with the Plan to the holder of an Allowed Claim, Allowed Interest, Allowed Administrative Claim, Allowed Priority Tax Claim, Allowed Secured Claim, or any other Claim entitled thereto, such unclaimed property shall be forfeited by such holder and returned to Reorganized Petra or to the Debtors, as applicable, to be distributed in accordance with this Plan.

13. Withholding Taxes.

Any federal, state, or local withholding taxes or other amounts required to be withheld under applicable law shall be deducted from distributions hereunder. All Persons holding Claims shall be required to provide any information necessary to determine if such taxes must be withheld by the Debtors or Reorganized Petra. All Person holding Claims that fail to respond to the Debtors or Reorganized Petra, within sixty (60) days of a request to provide information necessary

to make such determination shall be deemed to have forfeited the right to receive a distribution under the Plan.

14. Fractional Cents or Shares.

Any other provision of this Plan to the contrary notwithstanding, no payment of fractions of cents will be made or fractional shares of securities issued hereunder. Whenever any payment of a fraction of a cent or the issuance of a fraction of a share of a security would otherwise be called for, the actual payment shall reflect a rounding down of such fraction to the nearest whole cent or share.

15. Setoffs.

Except as otherwise provided for herein with respect to Claims released by the Debtors and their estates pursuant to this Plan and the Confirmation Order, the Debtors or Reorganized Petra may, but shall not be required to, set off against any Claim and the payments to be made pursuant to this Plan in respect of such Claim, claims of any nature whatsoever the Debtors or their estate may have against the applicable holder of such Claim, but neither the failure to do so nor the allowance of a Claim hereunder shall constitute a waiver or release by the Debtors or their estates of any Claim they may have against any such holder of Claims.

H. <u>Unexpired Leases and Executory Contracts</u>

1. Rejection of Unexpired Leases and Executory Contracts.

Other than as set forth in the Plan or any exhibit or supplement thereto identifying contracts and or leases to be assumed and/or assigned, any and all pre-petition unexpired leases or executory contracts not previously rejected by the Debtors, unless specifically assumed pursuant to orders of the Court prior to the Confirmation Date or the subject of a motion to assume or assume and assign pending on the Confirmation Date, shall be deemed rejected by the Debtors on the Confirmation Date.

2. Claims Arising out of Rejection of Unexpired Leases and Executory Contracts.

All proofs of claim with respect to claims arising from the rejection of executory contracts or unexpired leases shall, unless another order of the Court provides for an earlier date, be Filed with the Court within thirty (30) days after the mailing of notice of entry of the Confirmation Order. All proofs of claim with respect to claims arising from the rejection of executory contracts shall be treated as Class 3 Claims for purposes of a distribution pursuant to the Plan, unless and until the party asserting such Claim obtains an order of the Court upon notice to the Debtors or Reorganized Petra that allows the Claims in another Class under the Plan. Unless otherwise permitted by Final Order, any proof of claim with respect to claims arising from the rejection of executory contracts or leases that is not filed within 30 days after mailing of the notice of entry of Confirmation Order shall automatically be disallowed as a late filed claim, without any action by the Debtors or Reorganized Petra, and the holder of such Claim shall be forever barred from asserting such Claim against the Debtors or Reorganized Petra.

3. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases.

(a) Except to the extent that less favorable treatment has been agreed to by the non-Debtor party or parties to each such executory contract or unexpired lease, any monetary defaults arising under each executory contract or unexpired lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the appropriate amount (the "Cure Amount") in Cash on the later of thirty (30) days after (i) the Effective Date or (ii) the date on which the Cure Amount has been resolved (either consensually or through judicial decision).

(b) No later than five (5) days prior to the commencement of the Confirmation Hearing, the Debtors shall file a schedule (the "Cure Schedule") setting forth the Cure Amount, if any, for each executory contract or unexpired lease to be assumed pursuant to section 7.1 of the Plan. Any party that fails to object to the applicable Cure Amount listed on the Cure Schedule within twenty (20) days of the filing thereof, shall be forever barred, estopped and enjoined from disputing the Cure Amount set forth on the Cure Schedule (including a Cure Amount of $0.00) and/or from asserting any Claim against the applicable Debtor arising under section 365(b)(1) of the Bankruptcy Code except as set forth on the Cure Schedule.

(c) In the event of a dispute (each, a "Cure Dispute") regarding: (i) the Cure Amount; (ii) the ability of the Reorganized Petra to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (iii) any other matter pertaining to the proposed assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving such Cure Dispute and approving the assumption. To the extent a Cure Dispute relates solely to the Cure Amount, the applicable Debtor may assume and/or assume and assign the applicable contract or lease prior to the resolution of the Cure Dispute provided that such Debtor or Reorganized Petra reserves Cash in the amount sufficient to pay the full amount asserted as cure payment by the non-Debtor party to such contract or lease (or such smaller amount as may be fixed or estimated by the Bankruptcy Court).

I. Effectiveness of the Plan

1. Conditions Precedent to Effectiveness of the Plan.

The Plan shall not become effective unless and until each of the following conditions has been satisfied or waived: (i) the Court shall have entered the Confirmation Order in form and substance satisfactory to the Debtors; (ii) the Confirmation Order shall have become a Final Order; and (iii) all sale transactions contemplated by Article V of the Plan shall be consummated, including full payment to REIT of (a) the REIT Purchase Price or the bid of the Winning REIT Bidder, as applicable, and (b) the SP Purchase Price or the bid of the Winning SP Bidder, as applicable.

2. Waiver of Conditions.

The Debtors may at any time, without notice or authorization of the Court, waive the conditions set forth in section 8.1 (ii) of the Plan. The Debtors reserve the right to assert that any appeal from the Confirmation Order shall be moot after consummation of the Plan.

3. Effect of Failure of Conditions.

In the event that the condition specified in section 8.1(ii) of the Plan has not occurred or been waived on or before sixty (60) days after the Confirmation Date, the Confirmation Order may be vacated upon order of the Court after motion made by the Debtors or any party in interest and an opportunity for parties in interest to be heard.

J. Retention of Jurisdiction

Following the Confirmation Date and until such time as all payments and distributions required to be made and all other obligations required to be performed under this Plan have been made and performed by Reorganized Petra, the Court shall retain jurisdiction as is legally permissible over issues relating to the Plan, including but not limited, to adjudication of Claims pursuant to Sections 2.2, 2.4 and 6.8 thereof.

K. Miscellaneous Provisions

1. Pre-Confirmation Modification.

On notice to and with an opportunity to be heard by the United States Trustee, the Plan may be altered, amended or modified by the Debtors before the Confirmation Date as provided in section 1127 of the Bankruptcy Code.

2. Post-Confirmation Immaterial Modification.

With the approval of the Court and on notice to and an opportunity to be heard by the United States Trustee, and without notice to all holders of Claims and Interests, the Debtors or Reorganized Petra may, insofar as it does not materially and adversely affect the interest of holders of Claims, correct any defect, omission or inconsistency in the Plan in such manner and to such extent as may be necessary to expedite consummation of the Plan.

3. Post-Confirmation Material Modification.

On notice to and with an opportunity to be heard by the United States Trustee, the Plan may be altered or amended after the Confirmation Date by the Debtors or Reorganized Petra in a manner which, in the opinion of the Court, materially and adversely affects holders of Claims, provided that such alteration or modification is made after a hearing and otherwise meets the requirements of section 1127 of the Bankruptcy Code.

4. Withdrawal or Revocation of the Plan.

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan, then the Plan shall be deemed null and void.

5. Payment of Statutory Fees.

All fees payable pursuant to section 1930 of Title 28 of the United States Code shall be paid on the Effective Date (if due) or when otherwise due by the Debtors and Reorganized Petra.

6. Role of Committees.

Upon the Effective Date, the appointment and existence of any statutorily appointed committee in the Chapter 11 Cases, such as an official creditors' committee, shall terminate for all purposes and to the extent no such committees exist, no such committee may be subsequently appointed.

7. Successors and Assigns.

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors and/or assigns of such Person.

8. Term of Injunctions or Stays.

Unless otherwise provided, all injunctions or stays arising under or entered during the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

9. Injunction Against Interference With Plan.

Upon the entry of the Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their respective present or former affiliates, employees, agents, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

10. Releases.

(a) *Releases by the Debtors.* *Except as otherwise provided in this Plan or the Confirmation Order, in consideration for each of the Debtor-Released Party's efforts and contributions to (i) assisting the Debtors in their bankruptcy cases, including but not limited to assistance provided in connection with responding to discovery requests by KBS Preferred Holding I, LLC and the investigations conducted by the Examiner; and (ii) implementing the restructuring reflected in the Plan, and with respect to the REIT Directors and REIT Officers, in additional consideration of the services they provided to the Debtors during the pendency of their bankruptcy cases for which they received no compensation, as of the Effective Date, each Debtor, in its individual capacity and as a debtor in possession, shall be deemed to forever have released, waived and discharged all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of*

action and liabilities (other than the rights of the Debtors to enforce the Plan and the contracts, instruments, releases, indentures and other agreement or documents delivered thereunder), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the parties released pursuant to section 10.10(a) of the Plan, the Chapter 11 Cases, the Plan or this Disclosure Statement and that could have been asserted by or on behalf of the Debtors or their estates, whether directly, indirectly, derivatively or in any representative or any other capacity, against any Debtor-Released Party; *provided, however, that: (i) that the releases set forth in the section 10.10(a) shall not release any Debtor's claims, rights, or causes of action for money borrowed from or owed to a Debtor by any of its directors, officers or former employees as set forth in such Debtors' books and records; (ii) that the releases set forth in section 10.10(a) of the plan shall not release any Claims against any Person to the extent such Person asserts a crossclaim, counterclaim and/or Claim for setoff pursuant to which such Person seeks affirmative relief against a Debtor or any of its officers, directors, or representatives; and (iii) in no event shall anything in section 10.10(a)of the plan be construed as a release of any Person's fraud, gross negligence or willful misconduct for matters with respect to the Debtors and their affiliates.*

(b) *Releases by Holders of Claims and Interests. Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each Releasing Party, in consideration for the obligations of the Debtors and the other Released Parties under the Plan, their efforts and contributions to implement the restructuring reflected in the Plan, and contracts, instruments, releases, agreements or documents executed and delivered in connection with the Plan, will be deemed to have consented to the Plan for all purposes and the restructuring embodied herein and deemed forever to have released, waived and discharged all claims, demands, debts, rights, causes of actions or liabilities (other than the right to enforce the obligations of any party under the Plan and the contracts, instruments, releases, agreements and documents delivered under or in connection with the Plan), including, without limitation, any claims for any such loss such holder may suffer, have suffered or be alleged to suffer as a result of the Debtors' commencement of the Chapter 11 Cases or as a result of the Plan having been consummated, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, the Plan or the Disclosure Statement against any Released Party.*

(c) *Entry of the Confirmation Order will constitute the Bankruptcy Court's approval pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 of the releases contained in sections 10.10 (a) and 10.10(b) of the Plan which includes by reference each of the related provisions and definitions contained herein, and further, will constitute the Bankruptcy Court's finding that these releases are (i) in exchange for the good and valuable consideration provided by the Debtors and each of the other Released Parties, representing good faith settlement and compromise of the claims released herein; (ii) in the best interest of the Debtors and all holders of Claims; (iii) fair, equitable, and reasonable; (iv) approved after due notice and opportunity for hearing; (v) a bar to any assertion by any of the Releasing Parties of any claim released by such*

Releasing Party against any of the Debtors and the other Released Parties or their respective property; and (vi) a bar to any assertion by either of the Debtors of any claim released by such Debtor against any of the Debtor-Released Parties.

(d) *Notwithstanding anything to the contrary contained in the Plan, except to the extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, nothing in the Confirmation Order or the Plan shall effect a release of any claim by the United States Government or any of its agencies or any state and local authority whatsoever, including without limitation any claim arising under The Employee Retirement Income Security Act of 1974 ("ERISA"), federal securities laws, the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against any Non-Debtor Released Party, nor shall anything in the Confirmation Order or the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action or other proceeding against any Non-Debtor Released Party for any liability whatever, including without limitation any claim, suit or action arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state or local authority, nor shall anything in the Confirmation Order or the Plan exculpate any party from any liability to the United States Government or any of its agencies or any state and local authority whatsoever, including any liabilities arising under ERISA, federal securities laws, the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against any Non-Debtor Released Party.*

11. Exculpation and Limitation of Liability.

None of the Exculpated Parties shall have or incur any liability to the Debtors and to any holder of any Claim or Interest for any act or omission in connection with, or arising out of the Debtors' restructuring, including without limitation the negotiation, drafting, execution and Filing of the Plan, the commencement and conduct of the Chapter 11 Cases, the negotiation, drafting and Filing of this Disclosure Statement, the solicitation of votes for and the pursuit of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, including, without limitation, all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or misconduct relating thereto and all prepetition activities leading to the negotiation, promulgation and confirmation of the Plan except fraud, gross negligence, or willful misconduct as determined by a Final Order of the Bankruptcy Court. The Exculpated Parties shall be entitled to rely upon the advice of counsel with respect to duties and responsibilities under the Plan.

12. Injunction Related to Releases and Exculpation.

The Confirmation Order shall permanently enjoin the commencement or prosecution by any person or entity, whether directly, or derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released pursuant to the Plan, including but not limited to the claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released in sections 10.10 and 10.11 of the Plan.

13. Retention of Causes of Action/Reservations of Rights.

Subject to section 10.10 of the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights, claims or causes of action, rights of setoff, or other legal or equitable defenses (including, for avoidance of doubt, any cause of actions to avoid a transfer under sections 303(c), 544, 547, 548, or 553(b) of the Bankruptcy Code, or any similar state law) that the Debtors had immediately prior to the Effective Date on behalf of the Debtors' estates or of themselves in accordance with any provision of the Bankruptcy Code or any applicable non-bankruptcy law. In connection with objecting to Claims, the Debtors shall have, retain, reserve, and be entitled to assert all such claims, causes of action, rights of setoff, or other legal or equitable defenses as fully as if the Chapter 11 Cases had not been commenced, and Reorganized Petra (as applicable) shall be similarly entitled to assert them on behalf of the Debtors (or their estates) in connection with any objection to Claims, as applicable. All of the Debtors' legal and/or equitable rights respecting any Claim left unimpaired, as set forth in section 2.1 herein, may be asserted after the Confirmation Date (by the Debtors or Reorganized Petra, as applicable) to the same extent as if the Chapter 11 Cases had not been commenced.

14. Governing Law.

Except to the extent that the Bankruptcy Code is applicable, the rights and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the laws of the State of New York.

15. Notices.

Any notice required or permitted to be provided under the Plan shall be in writing and served by either (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery or (c) reputable overnight courier service, freight prepaid, to be addressed as follows:

If to the Debtors or Reorganized Petra:
Dickstein Shapiro LLP
1633 Broadway
New York, New York 10019
Attention: Brian E. Goldberg or Shaya M. Berger

16. Saturday, Sunday or Legal Holiday.

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

17. Section 1146 Exemption.

Pursuant to section 1146 of the Bankruptcy Code, (i) the issuance, transfer or exchange of any security under or in connection with the Plan or (ii) the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by, the Plan or (iii) the

revesting, transfer or sale of any real or personal property of the Debtors or Reorganized Petra pursuant to, in implementation of, or as contemplated by, the Plan, in each case including but not limited to any transactions relating to Reorganized Petra, shall not be taxed under any state or local law imposing a stamp tax, transfer tax, real estate transfer tax, mortgage recording tax or similar tax or fee or government assessment. State or local government officials or agents are directed to forego the collection of any such tax or governmental assessment and to accept for Filing and recordation any of the foregoing instruments or other documents without payment of any such tax or governmental assessment.

18. Severability.

If any term or provision of the Plan is held by the Court prior to or at the time of Confirmation to be invalid, void or unenforceable, the Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as so altered or interpreted. In the event of any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan may, at the Debtors' option, remain in full force and effect and not be deemed affected. However, the Debtors reserve the right not to proceed to Confirmation or consummation of the Plan if any such ruling occurs. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

19. Headings.

The headings used in the Plan are inserted for convenience only and neither constitutes a portion of the Plan nor in any manner affect the provisions of the Plan.

20. Plan Supplement.

The complete contents of the Plan Supplement shall be filed not later than seven days prior to the Confirmation Hearing and shall include: (i) the Stock Purchase Agreement; (ii) the Settlement Payments Purchase Agreement; (iii) a list of any executory contracts being assumed and/or assigned; and (iv) the JPM debt instrument and the RBS debt instrument.

V. VOTING REQUIREMENTS, ACCEPTANCE AND CONFIRMATION OF THE PLAN

The Bankruptcy Code requires that, in order to confirm the Plan, the Court must make a series of findings concerning the Plan and the Debtors, including that (i) the Plan has classified Claims and Interests in a permissible manner; (ii) the Plan complies with applicable provisions of the Bankruptcy Code; (iii) the Debtors have complied with applicable provisions of the Bankruptcy Code; (iv) the Debtors have proposed the Plan in good faith and not by any means forbidden by law; (v) the disclosure required by section 1125 of the Bankruptcy Code has been made; (vi) the Plan has been accepted by the requisite votes of creditors (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code) (see "Acceptance of Plan" and "Confirmation Without Acceptance of All Impaired Classes,"); (vii) the Plan is feasible and

confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors under the Plan unless such liquidation or reorganization is proposed in the Plan; (viii) the Plan is in the "best interests" of all holders of Claims or Interests in an impaired Class by providing to such holders on account of their Claims or Interests property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a Claim or Interest in such Class has accepted the Plan; and (ix) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Court at the hearing on confirmation, have been paid or the Plan provides for the payment of such fees on the Effective Date.

A. Parties Entitled to Vote

Pursuant to the Bankruptcy Code, only Classes of Claims and Interests that are "impaired" (as defined in section 1124 of the Bankruptcy Code) under the Plan are entitled to vote to accept or reject the Plan. A Class is Impaired if the legal, equitable or contractual rights to which the Claims or Interests of that Class entitled the holders of such Claims or Interests are modified, other than by curing defaults and reinstating the debt. Classes of Claims and Interests that are Unimpaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, Classes of Claims and Interests that receive no distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan.

B. Classes Impaired Under the Plan

Classes 1, 1A, 2 and 3 of Claims and Interests are impaired under the Plan and are entitled to vote on the Plan. Acceptances of the Plan are being solicited only from those holders of Claims and Interests in Impaired Classes that will or may receive a distribution under the Plan. Accordingly, the Debtors are soliciting acceptances from members of Class 1, Class 1A, Class 2 and Class 3. The holders of Classes 4, 5 and 6 of Claims or Interests are deemed to reject the plan.

C. Voting Procedures and Requirements

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM OR INTEREST ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS OR INTERESTS IN MORE THAN ONE CLASS, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE.

a) Ballots

In voting for or against the Plan, please use only the Ballot or Ballots sent to you with this Disclosure Statement. If you are a member of Classes 1, 1A, 2 or 3 and did not receive a Ballot, if your Ballot is damaged or lost or if you have any questions concerning voting procedures, please call Debtors' Counsel, Dickstein Shapiro, 212-277-6746.

PLEASE FOLLOW THE DIRECTIONS CONTAINED ON THE ENCLOSED BALLOT CAREFULLY.

b) Returning ballots

IF YOU ARE A HOLDER OF A CLASS 1, CLASS 1A, CLASS 2 OR CLASS 3 CLAIM ENTITLED TO VOTE, YOU SHOULD COMPLETE AND SIGN YOUR BALLOT AND RETURN IT IN THE ENCLOSED ENVELOPE TO:

Dickstein Shapiro LLP
Attention: Brian E. Goldberg
and Shaya M. Berger
1633 Broadway
New York, New York 10019.

VOTES CANNOT BE TRANSMITTED ORALLY. TO BE COUNTED, ORIGINAL SIGNED BALLOTS MUST BE RECEIVED ON OR BEFORE _____ __, 2012 AT 2:00 P.M., EST. IT IS OF THE UTMOST IMPORTANCE TO THE DEBTORS THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN**.**

D. Confirmation Hearing

The Bankruptcy Code requires the Court, after notice, to conduct a hearing regarding whether the Plan and the Debtors have fulfilled the confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for _____ __, 2012 at [] EST before the Honorable Shelley C. Chapman, United States Bankruptcy Judge, United States Bankruptcy Court, One Bowling Green, New York, New York 10004. The Confirmation Hearing may be adjourned from time to time by the Court without further notice, except for an announcement at the Confirmation Hearing of the date to which the Confirmation Hearing has been adjourned.

E. Confirmation

At the Confirmation Hearing, the Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan (i) is accepted by the requisite holders of Claims and Interests or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the non-accepting Class of Claims or Interests, (ii) is in the "best interests" of each holder of a Claim or Interest that does not vote to accept the Plan in each impaired Class under the Plan, (iii) is feasible and (iv) complies with the applicable provisions of the Bankruptcy Code.

F. Acceptance of Plan

As a condition to confirmation, the Bankruptcy Code requires that each class of impaired claims or interests votes to accept the Plan, except under certain circumstances. See "Confirmation Without Acceptance of All Impaired Classes" below. A plan is accepted by an impaired class of claims if holders of at least two-thirds in dollar amount and more than one-half in number of voted claims of that class vote to accept the plan. A plan is accepted by an impaired

class of interests if holders of at least two-thirds of the number of voted shares in such class vote to accept the plan. Only those holders of claims or interests who actually vote count in these tabulations. Holders of claims and interests who fail to vote are not counted as either accepting or rejecting a plan.

In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the Court to be in the best interests of each holder of a claim or interest in such class. See "Best Interests Test" below. In addition, each impaired class must accept the plan for the plan to be confirmed without application of the "fair and equitable" and "unfair discrimination" tests in section 1129(b) of the Bankruptcy Code discussed below. See "Confirmation Without Acceptance of All Impaired Classes" below.

G. Confirmation Without Acceptance of All Impaired Classes

The Bankruptcy Code contains provisions for confirmation of the Plan even if the Plan is not accepted by all Impaired Classes, as long as at least one Impaired Class of Claims has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code.

A plan may be confirmed under the cramdown provisions if, in addition to satisfying all other requirements of section 1129(a) of the Bankruptcy Code, it (a) "does not discriminate unfairly" and (b) is "fair and equitable," with respect to each class of claims or interests that is impaired under, and has not accepted, the Plan. As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have specific meanings unique to bankruptcy law.

In general, the cramdown standard requires that a dissenting class receive full compensation for its allowed claim or interests before any junior class receives any distribution. More specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed under that section if: (a) with respect to a secured class, (i) the holders of such claims retain the liens securing such claims to the extent of the allowed amount of such claims and that each holder of a claim of such class receives deferred Cash payments equaling the allowed amount of such claim as of the Plan's effective date or (ii) such holders realize the indubitable equivalent of such claims; (b) with respect to an unsecured claim, either (i) the impaired unsecured creditor must receive property of a value equal to the amount of its allowed claim, or (ii) the holders of claims and interests that are junior to the claims of the dissenting class do not receive any properly under the plan; or (c) with respect to a class of interests, either (i) each holder of an interest of such class must receive or retain on account of such interest property of a value, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest, or (ii) the holder of any interest that is junior to the interest of such class does not receive or retain any property on account of such junior interest.

The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting unsecured class of claims or a class of interests receives full compensation for its allowed claims or allowed interests, no holder of claims or interests in any junior class may receive or retain any property on account of such claims or

interests. With respect to a dissenting class of secured claims, the "fair and equitable" standard requires, among other things, that holders either (i) retain their liens and receive deferred Cash payments with a value as of the plan's effective date equal to the value of their interest in property of the estate or (ii) otherwise receive the indubitable equivalent of these secured claims. The "fair and equitable" standard has also been interpreted to prohibit any class senior to a dissenting class from receiving under a plan more than 100% of its allowed claims. The requirement that a plan not "discriminate unfairly" means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank.

BECAUSE CLASSES 4, 5 AND 6 ARE DEEMED TO REJECT THE PLAN, THE DEBTORS INTEND TO SEEK CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF SECTION 1l29(b) OF THE BANKRUPTCY CODE WITH RESPECT TO SUCH CLASSES. IN ADDITION, IF ANY OF THE CLASSES ENTITLED TO VOTE ON THE PLAN VOTE TO REJECT THE PLAN, THE DEBTORS RESERVE THE RIGHT TO SEEK CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF THE BANKRUPTCY CODE WITH RESPECT TO SUCH CLASS(ES).

H. Best Interests Test

In order to confirm the Plan, the Court must independently determine that the Plan is in the best interests of each holder of a Claim or Interest in any such impaired Class who has not voted to accept the Plan. Accordingly, if an impaired Class does not unanimously accept the Plan, the best interests test requires the Court to find that the Plan provides to each member of such impaired Class a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on such date.

I. Liquidation Analysis

The Debtors believe that in the event of liquidation under Chapter 7 of the Bankruptcy Code, the full value of the Debtors' assets will not be realized. In order for the full value of the Assets to be realized, the Debtors' estates need to be administered in the most efficient manner possible to limit further administrative expenses. The Plan places all Allowed Claims holders in the best position to obtain, in the most efficient manner, payments for their claims. Under liquidation under Chapter 7, on the other hand, the Debtors would incur the costs of payment of a statutorily allowed commission to the chapter 7 trustee, as well as the costs of counsel and other professionals retained by the trustee. These expenses would be exacerbated due to the unfamiliarity that such Chapter 7 trustee and its counsel and other professionals would have with the Debtors, Petra and its affiliates and the Chapter 11 Cases. The estates would also still be obligated for all unpaid expenses incurred by the Debtors during these Bankruptcy Cases (such as compensation for Professionals), as those expenses are allowed in the Chapter 7 cases. Moreover, in a chapter 7 liquidation, the Debtors' assets would not be sold in an auction process that is likely to garner opening bids for the Settlement Payments and Equity Interests of REIT as high as the opening bids being offered by ABC Corp. under section 5.4 of the Plan. A chapter 7 liquidation would not only

result in losing a guaranteed influx of approximately one million dollars in cash into the Debtors' estates, but the lack of quality opening bids may result in a chilling of interest in the auction.

Based on the foregoing, the Debtors believe that holders of Allowed Claims will receive more under the Plan than they would receive if the Chapter 11 Cases were converted to Chapter 7 cases.

J. Feasibility

Under section 1129(a)(l) of the Bankruptcy Code, the Debtors must show that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors (unless such liquidation or reorganization is proposed in the Plan).

The Plan complies with this requirement. While Reorganized Petra will be obligated under the new debt instrument issued to JPM, such instrument will be non-recourse and secured by, and solely payable from proceeds of, the Class K Notes and the CDO Preferred Shares, in accordance with the terms of the new debt instruments described in Article VI of the Plan. Similarly, Reorganized Petra's obligations to RBS will be subject to the terms of the new debt instrument issued pursuant to Article IV of the plan and will likewise be non-recourse and secured by, and payable solely from proceeds of, the Class J Bonds. Because the JPM Debt and the RBS Debts will only be payable when and if proceeds are generated by the JPM REIT Collateral and RBS REIT Collateral, respectively, there are no foreseen risks that the Plan will cause any liquidation or further reorganization. Additionally, the Debtors will have satisfied their unsecured debt in accordance with the terms of the Plan and Reorganized Petra will be free from any claims or judgments arising out of the Debtors' unsecured debt.

K. Compliance with the Applicable Provisions of the Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtors have considered each of these issues in the development of the Plan and believe that the Plan complies with all applicable provisions of the Bankruptcy Code.

VI. ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe the Plan affords Allowed Claim holders the potential for the greatest realization on the Debtors' assets and, therefore, is in the best interests of such holders. If the Plan is not confirmed, the only viable alternatives are dismissal of these Chapter 11 Cases or conversion to a case under chapter 7 of the Bankruptcy Code. Neither of these alternatives is preferable to the confirmation and consummation of the Plan.

If the Chapter 11 Cases were dismissed, Creditors and Interest holders would revert to a "race to the courthouse," the result being that Creditors and Interest holders would not receive a fair and equitable distribution of the Debtors' remaining assets. Specifically, a dismissal would

allow KBS or any other Creditor or Interest holder of the Debtors to assert its claims against the Debtors and their assets and force a "fire sale", potentially diminishing the value to be gained from the assets. Under these scenarios, the assets of the Estates will be severely diminished, resulting in a material reduction in the distributions to all Claim holders. See section V subsection I - "Liquidation Analysis." Therefore, neither a chapter 7 case nor the dismissal of this chapter 11 case is a superior alternative to the Plan and the Plan represents the best available alternative for maximizing returns to creditors.

VII. SECURITIES REGISTRATION EXEMPTION

A. Securities Registration Exemption

Except as otherwise provided, to the extent securities will be issued pursuant to the Plan (see section 5.6 of the Plan), such securities will be issued without registration under the Securities Act or any similar federal, state, or local law to the fullest extent permitted by section 1145 of the Bankruptcy Code. These issuances would also be exempt from registration under the Securities Act or any similar federal, state, or local law in reliance on the exemption set forth in section 4(2) of the Securities Act or Regulation D promulgated thereunder.

B. Section 1145 of the Bankruptcy Code

Section 1145(c) of the Bankruptcy Code provides that securities issued pursuant to a registration exemption under section 1145(a)(1) of the Bankruptcy Code are deemed to have been issued pursuant to a public offering. Therefore, the securities issued pursuant to a section 1145 exemption may generally be resold by any holder thereof without registration under the Securities Act pursuant to the exemption provided by section 4(1) thereof, unless the holder is an "underwriter" with respect to such securities, as such term is defined in section 1145(b)(1) of the Bankruptcy Code. In addition, such securities generally may be resold by the recipients thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the individual states. However, recipients of securities issued under the Plan are advised to consult with their own counsel as to the availability of any such exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" for purposes of the Securities Act as one who, subject to certain exceptions, (a) purchases a claim with a view to distribution of any security to be received in exchange for such claim, or (b) offers to sell securities offered or sold under the plan for the holders of such securities, or (c) offers to buy securities issued under the plan from the holders of such securities, if the offer to buy is made with a view to distribution of such securities, and if such offer is under an agreement made in connection with the plan, with the consummation of the plan or with the offer or sale of securities under the plan, or (d) is an issuer, as used in section 2(11) of the Securities Act, with respect to such securities.

The term "issuer," as used in section 2(11) of the Securities Act, includes any person directly or indirectly controlling or controlled by, an issuer of securities, or any person under direct or indirect common control with such issuer. "Control" (as defined in Rule 405 under the Securities

Act) means the possession, direct or indirect, of the power to direct or cause the direction of the policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be "in control" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. Moreover, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns at least ten percent (10%) of the voting securities of a reorganized debtor may be presumed to be a "control person."

To the extent that persons deemed "underwriters" receive securities under the Plan, resales of such securities would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Holders of such restricted securities may, however, be able, at a future time and under certain conditions described below, to sell securities without registration pursuant to the resale provisions of Rule 144 and Rule 144A under the Securities Act; provided, however, that any sale will be subject to the restrictions on transfer and assignment contained in the operating, limited liability company and or shareholders agreement of applicable companies, and applicable law.

C. Section 4(2) of the Securities Act/Regulation D

Section 4(2) of the Securities Act provides that the issuance of securities by an issuer in transactions not involving any public offering are exempt from registration under the Securities Act. Regulation D is a non-exclusive safe harbor promulgated by the United States Securities and Exchange Commission under the Securities Act related to, among others, section 4(2) of the Securities Act.

The term "issuer," as used in section 4(2) of the Securities Act, means, among other things, a person who issues or proposes to issue any security. Securities issued pursuant to the exemption provided by section 4(2) of the Securities Act or Regulation D promulgated thereunder are considered "restricted securities." As a result, resales of such securities may not be exempt from the registration requirements of the Securities Act or other applicable law. Holders of such restricted securities may, however, be able, at a future time and under certain conditions described below, to sell securities without registration pursuant to the resale provisions of Rule 144 and Rule 144A under the Securities Act; provided, however, that any sale will be subject to the restrictions on transfer and assignment contained in the operating agreement, limited liability company and or shareholders agreement of applicable companies, and applicable law.

D. Rule 144 and Rule 144A

Under certain circumstances, affiliated holders of restricted securities may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144. Generally, Rule 144 provides that if certain conditions are met (e.g., that the availability of current public information with respect to the issuer, volume limitations, and notice and manner of sale requirements), specified persons who resell restricted securities or who resell securities which are not restricted but who are "affiliates" of the issuer of the securities sought to be resold, will not be deemed to be "underwriters" as defined in section 2(11) of the Securities Act. Rule144 provides

that: (i) a non-affiliate who has not been an affiliate during the preceding three months may resell restricted securities after a six-month holding period if at the time of the sale there is current public information regarding the issuer and after a one year holding period if there is not current public information regarding the issuer at the time of the sale; and (ii) an affiliate may sell restricted securities after a six month holding period if at the time of the sale there is current public information regarding the issuer and after a year holding period if there is not current public information regarding the issuer at the time of the sale, provided that in each case the affiliate otherwise complies with the volume, manner of sale and notice requirements of Rule 144.

Rule 144A provides a non-exclusive safe harbor exemption from the registration requirements of the Securities Act for resales to certain "qualified institutional buyers" of securities that are "restricted securities" within the meaning of the Securities Act, irrespective of whether the seller of such securities purchased its securities with a view towards reselling such securities, if certain other conditions are met (e.g., the availability of information required by paragraph 4(d) of Rule 144A and certain notice provisions). Under Rule 144A, a "qualified institutional buyer" is defined to include, among other persons, "dealers" registered as such pursuant to section 15 of the Exchange Act, and entities that purchase securities for their own account or for the account of another qualified institutional buyer and that, in the aggregate, own and invest on a discretionary basis at least $100 million in the securities of unaffiliated issuers. Subject to certain qualifications, Rule 144A does not exempt the offer or sale of securities that, at the time of their issuance, were securities of the same class of securities then listed on a national securities exchange (registered as such pursuant to section 6 of the Exchange Act) or quoted in a United States automated inter-dealer quotation system.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A RECIPIENT OF SECURITIES PURSUANT TO THE PLAN MAY BE AN UNDERWRITER OR AN AFFILIATE OF THE ISSUER OF SUCH SECURITIES, THE PROPONENT MAKES NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRANSFER THE SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF SECURITIES UNDER THE PLAN CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRANSFER SUCH SECURITIES.

VIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain significant U.S. federal income tax consequences of the implementation of the Plan to the Debtors and certain holders of Allowed Claims. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury regulations promulgated thereunder, judicial decisions and published rulings and pronouncements of the Internal Revenue Service ("IRS"), all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. Due to the unsettled nature of several of the tax issues presented by the Plan and differences in the nature of the creditors' Claims, the tax consequences described below are only general descriptions that are subject to significant uncertainties. The Debtors take the position that for U.S. federal income tax purposes, the Class F and G Bonds are being transferred to RBS as part of the Plan. RBS takes the position that it already owns those bonds. The discussion that follows assumes Debtors' position is correct.

This discussion does not address the tax treatment of certain persons that may be subject to special treatment under the Tax Code (for example, foreign taxpayers, government authorities or agencies, broker-dealers, banks, mutual funds, insurance companies, other financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, including qualified plans, and investors in pass-through entities), or any aspect of state, local or foreign taxation. In addition, this discussion does not address the U.S. federal income tax consequences to holders whose Claims are entitled to reinstatement or are otherwise unimpaired under the Plan. No opinion has been requested, and the Debtors have not sought, nor do they intend to seek, a ruling from the IRS regarding the tax consequences of the Plan. Consequently, there can be no assurance that the treatment set forth below will be accepted by the IRS.

Accordingly, the following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of an Allowed Claim. All holders of Allowed Claims are urged to consult their own tax advisors for the federal, state, local and other tax consequences applicable to them under the Plan.

Because the holders of equity interests in the Debtors are not receiving any distributions under the Plan and thus are not entitled to vote on the Plan, this tax discussion is not intended to address their issues and circumstances, either generally or specifically. Debtors have not engaged in any significant review of their tax consequences. However, Debtors urge such holders to consult their individual tax advisors regarding any tax consequences of the Plan.

IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, holders of Allowed Claims are hereby notified that: (i) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Allowed Claims for the purpose of avoiding penalties that may be imposed on them under federal, state or local tax laws, (ii) such discussion is written in connection with the promotion or marketing of the transactions or matters discussed herein, and (iii) holders of Allowed Claims should seek advice based on their particular circumstances from an independent tax advisor.

THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN TO THE HOLDERS OF CLAIMS AND EQUITY INTERESTS MAY VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER (INCLUDING APPLICABLE FOREIGN) TAX CONSEQUENCES PARTICULAR TO THEM UNDER THE PLAN.

A. Tax Consequences to the Debtors

1. Cancellation of Indebtedness and Net Operating Losses.

In general, the discharge of a debt obligation by a debtor for an amount less than its adjusted issue price gives rise to cancellation-of-indebtedness ("COI") income which generally must be included in the debtor's income for federal income tax purposes. A debtor that transfers property other than cash to a creditor in satisfaction of a creditor's claim is generally treated as having retired

the debt for an amount equal to the fair market value of the property at the time it is transferred to the creditor. The quantification of the amount of COI income that will be realized by the Debtors in connection with the implementation of the Plan will turn at least in part on the value of the non-cash consideration received by Holders of Claims.

However, because REIT will be in a bankruptcy case at the time it realizes the COI income, REIT will not be required to include such COI income in its taxable gross income. However, if REIT excludes COI income pursuant to this bankruptcy exception, it may be required to reduce certain of its tax attributes, which can include net operating losses carryforwards ("NOLs"). REIT may also be able to make certain elections regarding the reduction of its basis in depreciable property prior to reducing its NOLs or other tax attributes. REIT, in consultation with Professionals, will determine the appropriate methodology and elections under their interpretation of law as in effect when the tax returns are filed and given the facts as they are known at that time. The Debtors cannot guarantee that the IRS will agree with such methodology or elections or how the Debtors ultimately chose which tax attributes should be reduced.

Additionally, Offshore is a company organized under Cayman Islands law, which has elected to be treated as a partnership for U.S. income tax purposes. A partnership is not entitled to the benefit of the bankruptcy exception regarding COI income. However, because Offshore is merely a guarantor and is not primarily liable for any of the discharged debt, it may not recognize COI income. In certain instances, however, a guarantor may recognize COI income and, therefore, all parties are urged to consult their individual tax advisors.

2. Sections 269 and 382 Limitations on the Utilization of NOLs.

Section 269 of the Tax Code can disallow the use of losses (including NOLs) in connection with certain transactions, the principal purpose of which is the evasion or avoidance of federal income tax by securing the benefit of a deduction, credit or other similar allowance (which includes NOLs).

Section 382 of the Tax Code severely limits the rate at which a corporation can utilize its NOLs (and, in certain cases, its net unrealized built-in losses and/or deductions) if it undergoes an "ownership change", as described and set forth pursuant to a variety of applicable tax statutory and regulatory provisions. Additionally, a corporation must meet certain continuity of business enterprise requirements for at least two years following an ownership change or risk substantial if not complete reduction of its ability to utilize its NOLs.

To the extent an ownership change occurs within the context of a bankruptcy case, there are certain exceptions that may apply to the otherwise applicable limitations of section 382 relating to a corporation's historic shareholders and/or creditors that held certain qualified indebtedness continuing to own the post-bankruptcy stock of the corporation. However, there are certain considerations that may dictate against a corporation electing to use this bankruptcy-related exception. No assurance can be given that the Reorganized Petra will be able to utilize the NOLs and other tax attributes of REIT without limitation. The tax impact of the transactions contemplated in the Plan on Reorganized Petra is a highly complex and fact-dependent analysis, and parties with a going-forward stake in them, including any potential bidders on the Equity Interests of REIT, are urged to consult their individual tax advisors.

B. Tax Considerations for All Claim Holders.

This discussion is generally limited to the impact on U.S. holders of Claims, and other holders are urged to consult their own tax advisors and professionals for further information or advice. In addition, as noted at the beginning of the discussion of tax consequences, parties entitled to special treatment under the Tax Code or subject to unique provisions (such as tax-exempt organizations, financial institutions, and broker-dealers, as well as holders of Claims that are, or who hold claims through, a partnership or other pass-through entity) should consult their own tax advisors. Moreover, all holders of Claims should nonetheless consult their own tax advisors because of the general informational and summary nature of the discussion contained herein.

1. Holders of Class 1 and 1A Claims.

A holder of a Class 1 Claim who receives JPM Debt with respect to such Claim pursuant to the Plan, and a holder of Class 1A Claim that receives the Class F, Class G Bonds and RBS Debt under section 4.3 of the Plan, generally will be required to recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between (i) the "issue price" of such new debt instruments or the securities received in exchange therefor (other than property received in respect of accrued interest) and (ii) such holder's adjusted basis in the Claim (other than any portion of the Claim attributable to accrued interest). Assuming the holder receives a new debt instrument and the new debt instrument has "adequate stated interest," the issue price of the new debt instrument will be the stated principal amount of such new debt instrument. To the extent the underlying debt instruments of Class 1 and 1A Claims and the new debt of Reorganized Petra and the Class F and G Bonds are treated as securities for federal income tax purposes, then the exchange of such debt instruments may be non-taxable as part of a proposed tax-free "G" reorganization, although it is uncertain if the proposed treatment of REIT and the sale or other disposition of its Equity Interests would qualify for such treatment. The tax treatment of the securities and debt instruments described herein is a highly fact-intensive and circumstances-specific analysis, and thus cannot be predicted with certainty, and parties are urged to consult their individual tax advisors regarding the possible outcomes and consequences of such potential treatments. The rules regarding the treatment of the Claims for U.S. income tax purposes are highly complex, and holders of Class 1 and 1A Claims are urged to consult their individual tax advisors.

2. Holders of Class 3 Claims.

A holder of a Class 3 Claim who receives a pro rata portion of the Distributable Assets or other Assets with respect to such Claim pursuant to the Plan generally will be required to recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between (i) the amount of value received with respect to such Claim and (ii) such holder's adjusted basis in the Claim, except to the extent that such amount is attributable to accrued interest. All holders are urged to consult their own tax advisors for further information and detail.

3. Post-Effective Date Cash Distributions.

Because certain holders of Claims may receive Cash distributions subsequent to the Effective Date of the Plan, the imputed interest provisions of the Tax Code may apply to treat a portion of the subsequent distributions as imputed interest. Additionally, because holders of Claims

may receive distributions with respect to a Claim in a taxable year or years following the year of initial distribution, any loss and a portion of any gain realized by the holder may be deferred. All holders of Claims are urged to consult their own tax advisors regarding these issues and the possible application of the "installment method" of reporting gains (if any) with respect to their Claims.

4. Accrued but Unpaid Interest.

To the extent that any Claim entitled to a distribution under the Plan is treated as a debt instrument for U.S. federal income tax purposes and comprises principal and accrued but unpaid interest thereon, a portion of the distribution may be treated as representing the payment of such accrued but unpaid interest, which could result in the holder of a Claim realizing ordinary income with respect to the distribution in an amount equal to the accrued but unpaid interest not already taken into income by the holder, regardless of whether the holder otherwise realizes a loss as a result of the Plan.

5. Withholding.

All distributions to holders of Allowed Claims under the Plan are subject to applicable withholding. Under federal income tax law, interest, dividends, and other payments may, under certain circumstances, be subject to "backup withholding". Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails to report properly interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding.

6. **IMPORTANCE OF OBTAINING INDIVIDUAL PROFESSIONAL TAX ASSISTANCE**

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY AND IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A PARTY'S OWN TAX PROFESSIONAL. **THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE**. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND DEPEND ON THE INDIVIDUAL CONSEQUENCES AND CIRCUMSTANCES OF A PARTICULAR CLAIM OR INTEREST HOLDER. ADDITIONALLY, THE TRANSACTIONS PROPOSED UNDER THIS PLAN ARE SOMEWHAT DIFFERENT THAN UNDER THE ORIGINAL PLAN, SO PARTIES SHOULD NOT RELY SIMPLY ON TAX ANALYSIS PREPARED WITH RESPECT TO THE PREVIOUS PLAN.

ADDITIONALLY, ONE OF THE DEBTORS IS A COMPANY ORGANIZED UNDER THE LAWS OF A FOREIGN COUNTRY, AND THIS DEBTOR IS ALSO A PARTNERSHIP, WHICH MAY RESULT IN VERY UNIQUE AND COMPLICATED TAX IMPLICATIONS FOR IT, ITS CREDITORS, AND ANY OTHER PARTIES IN INTEREST.

ACCORDINGLY, ALL PARTIES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT FEDERAL, STATE, LOCAL AND ANY APPLICABLE FOREIGN INCOME OR OTHER TAX CONSEQUENCES OF THE PLAN.

IX. RISK FACTORS

The risk factors identified below should not be regarded as constituting the only risks involved in connection with the Plan and its implementation.

A. Bankruptcy Considerations

Although the Debtors believe that the Plan satisfies all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes.

B. Business Risks (Inherent Uncertainty of Financial Projections)

The current crisis in the global credit and financial markets and the inability of corporate borrowers to access the debt markets may materially and adversely affect Reorganized Petra's ability to obtain sufficient financing to operate their business on a going forward basis.

The business of Reorganized Petra, and the Remaining REIT Assets to be sold under the Plan, involve the direct and indirect ownership and lending against and/or leasing of real properties, which is subject to a varying degree of risks. The yield available from any such real property depends on the amount of revenue generated and expenses incurred. The revenues generated by, expenses incurred with respect to, and the value of, a particular real property may be adversely affected by a number of factors, including, without limitation: the cyclical nature of the real estate market; national, regional and local economic climates; local real estate market conditions; fluctuations in operating costs; changes in interest rates; tenant creditworthiness; and the availability, cost and terms of financing. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws.

Reorganized Petra's investment strategy relies upon the stabilization and strengthening of the real estate market over the near future. While the Debtors believe that the market may be showing signs of recovery, there is no assurance that the market will in fact sufficiently strengthen within the needed timeframe to allow for the generation material value. Similarly, the value of any future investments by Reorganized Petra will depend in part on any economic recovery. No assurance can be given that there will be any stabilization or strengthening in the real estate market or continued recovery in the broader economy. Any such recoveries will depend, in part, upon events and factors outside the control of Reorganized Petra.

C. Natural Disasters

Natural disasters, such as fires and earthquakes, or other catastrophic events could adversely affect Reorganized Petra's business and operating results, as well as the Remaining REIT Assets. Reorganized Petra and the Debtors cannot predict the impact that any future natural disasters or catastrophic events will have on the ability o Reorganized Petra and the businesses conducted with or through the Sales Assets to sustain their business activities. The Debtors also cannot ensure that Reorganized Petra or the businesses operated with or through the Remaining REIT Assets will be able to obtain any insurance coverage with respect to occurrences of natural disasters or catastrophic events and any losses that could result from these acts.

D. Tax-Related Risks

There are a number of income tax considerations, risks, and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussions set forth in section VIII of this Disclosure Statement regarding certain U.S. federal income tax consequences of the transactions proposed by the Plan to the Debtors and to certain holders of Claims who are entitled to vote to accept or reject the Plan, and then should discuss these issues with their individual tax professionals because the discussion is not tax advice. Similarly, although the below discussion contains some information relating to risks associated with parties attempting to qualify as a real estate investment trust for federal income tax purposes, the below discussion is for informational purposes only and does not constitute tax advice. Parties are urged to carefully read and analyze the transactions contemplated by the Plan, and are further urged to consult with their own individual tax advisors and professionals.

1. REIT Status.

The transactions contemplated under the Plan will very likely result in REIT losing its status as a real estate investment trust for federal income tax purposes, and as a result, Petra CDO will likely no longer qualify as a qualified real estate investment trust subsidiary. Qualification as a real estate investment trust for federal income tax purposes is governed by highly technical and complex provisions of the Code for which there are only limited judicial or administrative interpretations. In addition, legislation, new regulations, administrative interpretations or court decisions might change the tax laws with respect to the requirements for qualification as a real estate investment trust or the federal income tax consequences of qualification as a REIT. Finally, even beyond the transactions in the Plan, Reorganized Petra's qualification as a real estate investment trust also depends on various facts and circumstances that are not entirely within the control of either Debtors, most notably the identity of the Winning REIT Bidder and how such Person will choose to operate and structure Reorganized Petra.

If, with respect to any taxable year, Reorganized Petra fails to maintain its qualification as a real estate investment trust and/or Petra CDO fails to qualify as a qualified real estate investment trust subsidiary and certain relief provisions do not apply, Reorganized Petra could not deduct distributions to shareholders in computing its taxable income and would have to pay federal corporate income tax (including any applicable alternative minimum tax) on its taxable income. If Reorganized Petra had to pay federal income tax, the amount of money available to

distribute to shareholders (and possibly Creditors) would be reduced for the year or years involved, but it would no longer be required to pay dividends to shareholders. In addition, Reorganized Petra would be disqualified from treatment as a real estate investment trust for the four taxable years following the year during which qualification was lost and thus its cash available for distribution to shareholders would be reduced in each of those years, unless it was entitled to relief under relevant statutory provisions. However, the determination of future post-bankruptcy cashflows and recoveries to Creditors and shareholders is highly speculative and thus any determination of the impact of taxes is similarly speculative, and parties are urged to consult their individual tax advisors

2. Absence of Tax-Free Reorganization.

It is very possible that the transactions, including the sale or other disposition of the REIT Equity Interests, will not qualify as a tax-free reorganization.

X. RECOMMENDATION AND CONCLUSION

THE DEBTORS BELIEVE THAT CONFIRMATION AND CONSUMMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND INTEREST HOLDERS AND THAT THE PLAN SHOULD BE CONFIRMED. THE DEBTORS ALSO BELIEVE THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ALL OTHER ALTERNATIVES BECAUSE IT WILL PROVIDE RECOVERIES TO CREDITORS IN EXCESS OF THOSE WHICH WOULD OTHERWISE BE AVAILABLE IF THE CHAPTER 11 CASES WERE DISMISSED OR CONVERTED TO CASES UNDER CHAPTER 7 OF THE BANKRUPTCY CODE. THE DEBTORS STRONGLY RECOMMEND THAT ALL CREDITORS RECEIVING A BALLOT VOTE IN FAVOR OF THE PLAN.

Dated: December 19, 2011

By: /s/ Lawrence Shelley
Lawrence Shelley as authorized signatory for Debtors Petra Fund REIT Corp. and Petra Offshore Fund, L.P.

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