

FORM ADV BROCHURE

UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Part 2A

As of 12/02/2013

Item 1: Cover Page

TerraCap Management LLC
23421 Walden Center Drive, Suite 300
Bonita Springs, FL 34134
239-540-2002 Office
239-321-6564 Fax
www.TerraCapMgmt.com

This brochure provides information about the qualifications and business practices of TerraCap Management LLC. If you have any questions about the contents of this brochure, please contact us. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about TerraCap Management, LLC, is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for TerraCap Management, LLC is 169695.

Registration with the SEC and other state securities authorities as a registered investment adviser does not imply a certain level of skill or training.

Item 2: Summary of Material Changes

This Form ADV 2 (the Brochure) is TerraCap Management's initial ADV filing so there are no material changes from previous versions.

Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Summary of Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation.....	6
Item 6: Performance Based Fees and Side-by-Side Management	7
Item 7: Types of Clients.....	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9: Disciplinary Information	9
Item 10: Other Financial Industry Activities and Affiliations	9
Item 11: Code of Ethics	10
Item 12: Brokerage Practices	12
Item 13: Review of Accounts	12
Item 14: Client Referrals and Other Compensation.....	12
Item 15: Custody.....	13
Item 16: Investment Discretion.....	13
Item 17: Voting Client Securities	14
Item 18: Financial Information	14
Item 19: Requirements for State-Registered Advisers.....	14
Part 2B of Form ADV: Brochure Supplement.....	18

Item 4: Advisory Business

Who We Are

TerraCap Management, LLC (referred to as “we,” “our,” “us,” or TerraCap Management”) is an investment advisor in the State of Florida. We are governed by our owner/principals, Walter S. Hagenbuckle, Robert M. Gray, and Michael Davis. The only owners of TerraCap Management holding more than 25% are Mr. Hagenbuckle and Mr. Gray.

Services We Offer

We serve as the manager and investment advisor to three pooled investment vehicles; TerraCap Partners LP, TerraCap Partners II (Institutional) LP, and TerraCap Partners II (HNW) LP (each a “Fund” or collectively the “Funds”). We may serve as manager and investment advisor to additional pooled investment vehicles in the future. Our investment decisions are made in compliance with the investment guidelines disclosed in the offering materials for the Funds. Each potential investor in the Funds receives a complete set of offering materials prior to investing in the Funds. We do not tailor our advisory services to the individual needs of the investor.

We presently seek investment opportunities in the form of equity and debt investments in real estate properties, primarily consisting of commercial real estate in southeastern United States with a focus on Florida. Investment decisions are based on our assessment of the risks associated with each investment, the amount of capital committed, the potential for income and profits from such investments, and the likelihood of a successful exit from the investment.

We will manage the business, investment and financial affairs of the Funds, including the exercise of appropriate care and control of all business decisions during the term of the Funds. In performing our investment services, our primary function will be to identify, analyze and select potential investments for the Funds. We will also monitor the financing, development, operations and ultimate sale and liquidation of investments in the Funds.

We may establish such bank and securities accounts, borrowing arrangements and other accounts or facilities as we determine necessary or desirable in effectuating investment transactions on behalf of the Funds and maintain the Funds’ records and files relating to their investments. We also prepare, or cause to be prepared, periodic reports detailing the Funds’ holdings and such other relevant financial information as we determine necessary.

Similar Investments and Other Disclosures

Unless prior written consent is received from holders of a majority of the Fund then, until the time at which at least 75 percent of a Fund’s capital contributions have been invested in or otherwise committed (“Restriction Period”), neither the Manager, the General Partner or their affiliates will close on any other investment fund that has as its primary objective the identification, qualification, acquisition, entitlement, management, marketing and sale of real estate assets located primarily in southeastern United States. If a competing fund is organized after the Restriction Period, then, until

the time at which at least 90 percent of the of the Partnerships' capital contributions have been invested ("Full Investment"), a competing fund may not close on any Investment.

The Funds will not invest in, acquire Investments from, nor sell Investments to, any entity in which the Manager, the General Partner or any of their affiliates has either (a) 2.5 percent or more of the outstanding equity interests or (b) a pre-existing economic interest of more than \$50,000.

The Funds may co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling or partially-controlling interests in certain investments. Although the Funds may not have control over these investments and therefore, may have a limited ability to protect its position therein, TerraCap expects that appropriate rights will be negotiated to protect the Funds' interests.

Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party partner or co-venture may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take action contrary to the Funds' investment objectives.

In certain other investments, the Funds may exercise control. The exercise of control over an entity can impose additional risks of liability for environmental damage, failure to supervise management, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristics of business ownership may be ignored. If these liabilities were to arise, the Funds might suffer a significant loss.

More detailed information on similar investments, competing funds, co-investments, and potential conflicts is available in the offering documents of each current Fund.

It is our intention and goal to always put the interest of the client and underlying investors above the interest of the Firm, or any of its related persons.

The Firm's principals and Funds' General Partners (individually and collectively, the "GP") have primary responsibility for resolving conflicts of interest involving the Funds. All principal and GP decisions are documented, including the reasoning, factors considered, and supplemental data collected.

While conflicts could materially and adversely affect the Funds, the principals and GPs, in their sole judgment and discretion, will attempt to mitigate such potential adversity by the exercise of business judgment in an attempt to fulfill its fiduciary obligations. TerraCap Management cannot assure that such an attempt will prevent adverse consequences resulting from the numerous potential conflicts of interest.

Assets Under Management

We have approximately \$207,013,276 in commitments for discretionary assets under management as of March 31, 2014. We do not manage any assets on a non-discretionary basis.

Item 5: Fees and Compensation

We receive both a management (or advisory) fee, based on the capital commitments or capital under management, whichever is greater, in each respective Fund, and an incentive allocation for managing each Fund. The management fee is 2.00% per year calculated against the Fund's aggregate capital under management during the Fund's investment period. The management fee is payable quarterly based on the capital commitments or capital under management as of first day of the calendar quarter.

As the manager of pooled investment vehicles, each investor irrevocably appoints us as an attorney-in-fact with authority to establish, manage and maintain all bank, mutual fund and securities brokerage accounts as needed for the purposes of the Funds' investments. In this capacity, we have the authority to withdraw the management fees, carried interest, expenses and capital from each Fund's bank account.

For qualifying investors, we receive a carried interest in the Fund generally equal to 20% of the profits generated by the Fund after the investors have received aggregate distributions from the Fund equal to their total capital contributions.

If, following the dissolution, winding up and termination of the current Funds and the distribution of all or substantially all of the Funds' assets, distributions of Carried Interest to the General Partner have been made with respect to any Limited Partner and either (i) the excess of (A) the cumulative distributions to such Limited Partner of Investment Proceeds, over (B) the aggregate amount of Capital Contributions made by such Limited Partner (the amount of such excess being the "Cumulative Net Distributions" with respect to such Limited Partner) do not represent at least the Preferred Return, or (ii) the aggregate distributions of Carried Interest to the General Partner with respect to such Limited Partner exceeds 20% of the sum of (A) the Cumulative Net Distributions with respect to such Limited Partner, and (E) the aggregate distributions of Carried Interest to the General Partner with respect to such Limited Partner (such excess, the "Excess 20% Amount"), in each case determined after giving effect to all transactions through the Clawback Determination Date, then the General Partner shall be obligated to return or cause to be paid promptly to the Fund, an amount equal to the lesser of (I) the Final Clawback Amount (as defined below) with respect to such Limited Partner and (II) the After-Tax Amount of the aggregate distributions of Carried Interest to the General Partner with respect to such Limited Partner.

This clawback provision is presented in more detail in each current Fund's PPM. Future funds, if any, may have different clawback and compensation provisions.

These fees may be reduced or adjusted by agreement in limited circumstances.

Other Costs Involved

In addition to our management fees explained above, each Fund pays certain expenses associated with its investments. These fees include day-to-day administrative and operating expenses of the

Fund, including due diligence expenses associated with potential investments, fees and expenses of real estate sponsors, and fees and expenses of developers and property managers. Additional details related to these costs are provided in the Funds' Private Placement Memoranda.

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

As discussed in Item 5, each Fund charges performance fees in the form of a carried interest of Fund earnings which is a right to a portion of the Fund's profits and gains over the Fund investors' Return of Capital.

Prior to entering into an advisory contract with any client, TerraCap Management provides detailed disclosures relating to the risks associated with performance-based fees.

Item 7: Types of Clients

We provide investment advice solely to the Funds, which are pooled investment vehicles. Investors are required to commit to invest a minimum of \$50,000 in TerraCap Partners LP, \$1,000,000 in TerraCap Partners II (Institutional) LP, and \$250,000 in TerraCap Partners II (HNW) LP; however, we may waive this minimum in our sole discretion. The Funds accept accredited investors and qualified clients.

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

Methods of Analysis and Investment Strategy

We seek investment opportunities in the form of equity and debt investments in real estate projects, primarily located in southeastern United States with a focus in Florida. All appropriate investment opportunities are presented to the Investment Committee. That Committee will provide to TerraCap Management managers a recommended course of action regarding the investment opportunity. TerraCap Management managers have the final decision on whether or how to act on the recommendation of the Committee. Investment decisions by both the Investment Committee and TerraCap Management managers are based on their assessment of the risks associated with each investment, in light of the amount of capital committed, the potential for income and profits from such investments and the likelihood of a successful exit from the investment.

TerraCap Management's policy is to allocate available investments first to client Funds, if the investments are within the investment parameters of such Funds. If an investment is within the investment parameters of more than one Fund, the Managers will allocate the investment among the client Funds in its good faith judgment as to the best interests of the client Funds, with consideration to factors including the relative size of the investment and the available capital of the client Funds, the client Funds' current investment portfolios, and the age and life-cycle status of each Fund as compared to the anticipated holding period of the investment. The Managers may consider all other factors it deems relevant to such a determination. If an available investment is

not within any client Fund's investment parameters or is otherwise not suitable for a client Fund, such investment may be offered to affiliates of the Firm.

Each Fund's offering documents provide the General Partner, some discretion to expand, revise or contract the Fund's business without the consent of the other investors. Thus, in some cases, the Funds' investment strategies may be altered without prior approval by, or notice to, the investors of the Funds.

Risk of Loss

The success of an investment in the Funds may be affected by general economic and market conditions such as: interest rates, availability of credit, inflation rates, economic uncertainty, changes in foreign and domestic laws, and national and international political circumstances.

An investment in the Fund is subject to risks typically associated with an investment in real estate. The economic success of an investment in the Fund depends in part on the acquisition, development, financing, management and sale of various real estate projects on favorable terms, which will be subject to risks typically associated with investments in real estate. These risks include adverse changes to:

- local population trends;
- market conditions;
- neighborhood values;
- local economic and social conditions;
- supply and demand for property investments;
- competition from similar projects;
- interest rates;
- availability of financing;
- real estate tax rates;
- governmental rules, regulations and fiscal policies;
- the enactment of unfavorable real estate regulation;
- rent control;
- environmental or zoning laws;
- hazardous material laws;
- uninsured losses; and
- effects of inflation.

Any of these factors could cause the Funds to experience lower than expected returns or a loss on one or more investments.

All investments involve different degrees of risk. Investors should be aware of their risk tolerance level and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions. In other words, investors should be prepared to bear the risk of loss.

Item 9: Disciplinary Information

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to the evaluation of the investment advisor and each investment advisor representative providing investment advice. We have no such information on disciplinary actions to disclose.

Item 10: Other Financial Industry Activities and Affiliations

Financial Industry Affiliations

As a registered investment advisor, we are required to disclose when we, or any of our principals, have any other financial industry affiliations. Walter S. Hagenbuckle, an owner of TerraCap Management, is affiliated with a real estate brokerage licensed in Florida called Heights Realty & Investments, LLC. The TerraCap Funds primarily invest in Florida real estate properties. When the managers select investments for the Fund, they also appoint various vendors and real estate professionals to provide services to the investment properties. These services include, but are not limited to, management of renovation projects, asset management, property manager, leasing, due diligence, accounting,

Walter S. Hagenbuckle, Robert Gray, and Michael Davis are also owners in the property management company called Harvard Pacific, LLC; Walter S. Hagenbuckle owns Heights Properties, Inc., also a property management company.

In some cases, the Funds or TerraCap Management may use one of these companies, or its affiliates, to provide services to Fund property investments. Neither the Funds nor TerraCap Management will use any company affiliated with TerraCap Management owners unless that firm is demonstrably the lowest cost competent service. Whenever one of these companies is used, it is the result of a competitive bidding and evaluation process. Nevertheless, the use of these companies may create conflicts of interest. To mitigate these conflicts, TerraCap Management employs the policies and procedures written below in the “Conflict Resolution” section.

Conflict Resolution

Conflicts may arise as a result of the affiliations/investments described above. To the extent possible, TerraCap Management will attempt to mitigate and resolve these conflicts.

It is our intention and goal to always put the interest of the client and underlying investors above the interest of the Firm, or any of its related persons. When evaluating potential vendors for investments in the Funds we look at various factors including: price, quality of service, our ability to oversee and control the quality of work provided, vendor reputation, etc. In doing so, we may identify affiliates as appropriate service providers to the Funds.

The TerraCap Management owners/principals and GPs have primary responsibility for resolving conflicts of interest involving the Funds. All owner/principal and GP decisions will be documented, including the reasoning, factors considered and supplemental data collected. If for any reason any manager or affiliated person is deemed to be “interested” with regards to a specific transaction, including the use of a real estate brokerage or property management company affiliated with an owner/principal, the owners/principals will submit the terms of the transaction to an Advisory Committee identified at that time, or to an independent, third-party advisor selected by the Committee.

No approval will be required if the transaction is subject to competitive bidding, or is of the type for which market range pricing and terms are available, and the transaction is within market ranges. The terms of the competitive bidding and market range pricing will be documented and preserved as records of TerraCap Management.

While the foregoing conflicts could materially and adversely affect the Funds, the Board, in its sole judgment and discretion, will attempt to mitigate such potential adversity by the exercise of business judgment in an attempt to fulfill its fiduciary obligations. TerraCap Management cannot assure that such an attempt will prevent adverse consequences resulting from the numerous potential conflicts of interest.

Item 11: Code of Ethics

TerraCap Management has adopted a Code of Ethics (the “Code”) that governs a number of potential conflicts of interest we have when providing advisory services to our clients. This Code of Ethics is designed to ensure we meet our fiduciary obligation to our Clients (or Prospective Clients) and to establish and maintain a culture of Compliance within our Firm.

Our Code is also intended to detect and prevent violations of securities laws.

Our Code is distributed to each supervised person at the time of hire, and annually thereafter (if there are changes). We also supplement the Code with annual training and on-going monitoring of employee activity.

Supervised persons must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of clients. At all times, TerraCap Management will be mindful to:

- ***Place client interests ahead of TerraCap Managements*** – As a fiduciary, TerraCap Management will serve in its clients’ best interests. In other words, supervised persons may not benefit at the expense of clients;
- ***Engage in personal investing that is in full compliance with TerraCap Management’s Code of Ethics*** – Access Persons must review and abide by TerraCap Management’s Personal Securities Transaction and Insider Trading Policies;

- ***Ensure supervised persons do not take advantage of their positions*** – Supervised persons must not accept investment opportunities, gifts or other gratuities from individuals seeking to conduct business with TerraCap Management, or on behalf of a client, unless in compliance our Gift Policy;
- ***Maintain full compliance with applicable rules and regulations*** – Employees must abide by the standards set forth in Rule 204A-1 under the Advisers Act and other applicable rules and regulations.

Our Code also includes the following:

- Requirements related to the confidentiality of our client/investor information;
- Prohibitions on:
 - Insider trading (if we are in possession of material, non-public information);
 - The acceptance of gifts and entertainment that exceed our policy standards;
- Reporting of gifts and business entertainment;
- Pre-clearance of certain employee and firm transactions;
- Reporting (on an on-going and quarterly basis) all personal securities transactions (what we call “reportable securities” as mandated by regulation) and certain real estate transactions; and,
- On an annual basis, we require all employees to re-certify to our Code, identify members of their household and any account to which they have a beneficial ownership.

The Code of Ethics is available upon request.

Item 12: Brokerage Practices

TerraCap Management has discretion to identify the Fund’s investments, as well as the price and quantity of each investment. Real estate investments are individually negotiated by TerraCap Management and are not purchased through securities brokers.

The Funds will have cash to invest. That cash is held at non-broker-dealer banks in cash or cash equivalents. TerraCap has invested in short-term Treasury Bills through a broker-dealer and we are confident through our review that the charges and services of this broker-dealer meet or exceed industry norms in execution, price, and service.

Item 13: Review of Accounts

As the manager and investment advisor for the Fund, we routinely monitor each Fund's performance, seek to identify investments to acquire or sell and generally manage each Fund's investment activities.

Each Fund's financial information is reviewed on an ongoing basis. Formal reviews are conducted on a monthly basis by the Firm's accounting department, the Fund's General Partner, or both.

On a quarterly basis, each Fund has a written quarterly report that discusses the overall status of the Fund as well as a capital account statement for each investor in the Fund. On an annual basis each Fund has a written GAAP basis audited financial statement, as well as relevant, written tax reporting information, prepared and delivered within 90 to 180 days of year end.

Item 14: Client Referrals and Other Compensation

We do not compensate third parties for client referrals; however, we have engaged twelve firms to act as sales agents for the placement of the private offering of the Funds.

The following broker-dealers have executed sales agreements with the TerraCap Partners II (Institutional) LP and TerraCap Partners II (HNW) LP:

- Olympus Securities, LLC
- First Florida Securities, Inc.
- Tor Brokerage LLC
- Shelter Bay Securities, LLC
- Saidowsky Investmentanlagen Vermittlung EK
- Bernhardt Advisory, GMBH
- TOR Brokerage, LLC

The following firms have executed agreements with TerraCap Management, LLC:

- Aurora Capital, LLC
- Climbing Tiger Consulting via Silver Leaf Partners, LLC

The following firm has an executed sales agreement with TerraCap Partners, LP:

- Scarsdale Equities LLC
- First Florida Securities
- ProEquities (aka Investment Advisors)
- Arcadia Securities, LLC

These arrangements are intended to be in compliance with the applicable rules and regulations of the Advisers Act and other applicable laws and regulations. For the services provided, the

broker-dealers receive a selling commission based on a percentage of the amount of the total capital commitment by each investor they solicit. Details of the costs of any such placement agent arrangement are set forth in a written agreement with such placement agent and, disclosed to our investors as applicable.

Item 15: Custody

As the manager for a pooled investment vehicle, we have custody of the Funds' assets, and consequently we have implemented the following procedures for each Fund:

- We have engaged an independent CPA to provide annual audited financial statements for each Fund in accordance with generally accepted accounting principles.
- We distribute the audited statements to all members within 90 to 180 days of each Fund's fiscal year-end.
- We deliver a quarterly statement to each member of each Fund which lists the member's capital account balance in the Fund.
- A qualified custodian maintains the cash for each Fund in a separate account(s) in the name of the Fund. As the manager of the Funds, we opened such account(s) on behalf of each Fund as necessary to perform our duties for the Funds.

.

Item 16: Investment Discretion

We manage the Funds on a discretionary basis and we have broad discretion to make investments within the parameters described in the offering materials for the Funds. Our investment strategy is summarized above in Item 8, and more completely described in the offering materials for the Funds. By subscribing to an offering in the Funds, each investor appoints us as the investor attorney-in-fact, with authority to make, purchase, hold, trade, sell, exchange and liquidate investments, as well as to exercise all rights, powers, privileges and other incidents of ownership or possession with respect to securities held by the Fund, including, without limitation, voting rights, and to enter into, make and perform, all contracts and other undertakings, and to engage in all activities and transactions, as we, in our discretion, may deem necessary or advisable to the carrying out of the foregoing objectives.

Limitations on investment parameters, concentration limits and limits on the ability to amend the Funds' governing documents, are detailed in the offering documents.

Item 17: Voting Client Securities

The Funds generally do not trade in publicly traded securities; we do not typically have any opportunity to vote proxies for the Fund.

Item 18: Financial Information

We do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. We have no adverse financial information that would impair our ability to meet our contractual commitments to our clients.

Item 19: Requirements for State-Registered Advisers

Principal Executive Officers and Management Persons

Our principal executive officers are at 23421 Walden Center Drive, Suite 300, Bonita Springs, FL 34134. Additional management persons include: Jamie Lane, Director of Investor Relations; Susana Paul, Director of Finance/ Chief Compliance Officer; Albert Livingston, Director of Asset Management; and Steve Good, Director of Asset Management.

Core information regarding the education and business background of our executive officers are provided below:

Walter S. Hagenbuckle

Education:

Computer Science, B.S.
University of Florida, 1985

Business Background:

Steve Hagenbuckle is the founder and managing principal of TerraCap Management, LLC – a Florida real estate investment research firm and deep value real estate private equity fund manager. He has been a successful developer, builder and investor in Southwest Florida real estate since 1996 and, having managed many successful real estate partnerships, has achieved attractive returns for investors. He has been a board member for 10 years and is a founding shareholder in Landmark Bank N.A. and Giantbank.com, a Florida based commercial bank.

Mr. Hagenbuckle is a regular guest on CNBC, Bloomberg TV and Fox where he discusses real estate market trends and opportunities along with US banking. He lectures at various universities at the graduate and undergraduate levels. Mr. Hagenbuckle is a Florida native

who grew up in the Naples, FL area. He is a graduate of the College of Business from the University of Florida. In the 1990's and early 2000's, he co- founded and/or sold multiple technology companies to both public and private entities. These companies include Techware Consulting, Orus Information Services, and Collegiate Images. Mr. Hagenbuckle is also a licensed Florida Real Estate Broker and a member of the National Association of Realtors (NAR).

Outside Business Activities:

None

Incentive Allocation and Performance Fee Disclosures

Please review "Item 5: Fees and Compensation" for information about how incentive allocations/performance fees are calculated. However for ease of reference, they are repeated here.

Robert Gray

Education:

Industrial Engineering, B.S.
Lehigh University, 1985

Finance, M.B.A.
Columbia University

Business Background:

Prior to joining TerraCap as a Co-Managing Principal, Mr. Gray spent 24 years in commercial real estate with Cantor Fitzgerald, Morgan Stanley, JP Morgan and Citicorp. Mr. Gray invested in TerraCap I, and subsequently decided to join our team to provide us with institutional real estate experience. Prior to joining TerraCap, Mr. Gray was with Cantor Fitzgerald & Co in the role of Senior Managing Director and Global Head of Merchant Banking. His role encompassed establishing, capitalizing and acquiring commercial real estate investing and operating companies globally.

Prior to joining Cantor Fitzgerald, Mr. Gray was a Managing Director at Morgan Stanley Real Estate Investing, a \$60 billion real estate investment business. As the head of real estate capital markets for the real estate private equity investing business for the Americas, Mr. Gray ran a team responsible for sourcing and executing the capital structure for substantially all real estate investments in the United States, Canada, Mexico and Brazil. Mr. Gray also was responsible as Chief Investment Officer for the Morgan Stanley Mezzanine Partners Fund, a \$1.5 billion global debt fund raised in the autumn of 2007. Previously, Mr. Gray served from 2002 to 2007 in the capacity of head of Real Estate Capital Markets for real estate investing throughout Europe. Mr.

Gray was a voting member of the investment committee which required unanimous consent for investment approval.

Prior to joining Morgan Stanley, Mr. Gray worked for seven years at JP Morgan. He helped develop JP Morgan's Commercial Real Estate Lending and Securitization Program in the United States, and eventually Tokyo and London. Mr. Gray was a voting member of the Global Credit and Capital Allocation Committee, and his vote was required for substantially all investment decisions. Mr. Gray had personal signature authority of \$150 million.

Outside Business Activities:

None

Incentive Allocation and Performance Fee Disclosures

Please review "Item 5: Fees and Compensation" for information about how incentive allocations/performance fees are calculated. However for ease of reference, they are repeated here.

Michael Davis

Education:

Education, B.S.
Southeastern University, 2003

Business Background:

Michael R. Davis, Managing Director with TerraCap Management, LLC, has been a partner with Mr. Hagenbuckle for eight years. He is involved in many aspects of TerraCap including: identifying future growth trends, overseeing the commercial property due diligence process, qualifying specific property characteristics, research and financial modeling. Mr. Davis works closely with county and city staff with regards to land use, zoning, entitlement and also participates in county planning activities regarding economic development and growth. Mr. Davis is also a limited partner in TerraCap I.

Mr. Davis started his career in real estate finance as a mortgage broker at Platinum Coast Mortgage, a Naples, FL based mortgage brokerage company. After becoming a licensed real estate professional in the state of Florida, and a member of the National Association of Realtors, Mr. Davis has been a principal and facilitator in sourcing, evaluating, and acquiring over \$150 million in private real estate transactions and partnerships for Heights Realty & Investments, LLC.

Part 2B of Form ADV: Brochure Supplement

As of 12.01.2013

Item 1: Cover Page

This Brochure Supplement provides information about **Walter S. Hagenbuckle** that supplements TerraCap Management, LLC's Form ADV, Part 2A Brochure. You should have received a copy of that brochure. Please contact Evan Rosser if you did not receive TerraCap Management brochure or if you have any questions about the contents of this supplement.

Additional information about **Walter S. Hagenbuckle** is available on the SEC's website at www.adviserinfo.sec.gov.

TerraCap Management LLC
23421 Walden Center Drive, Suite 300
Bonita Springs, FL 34134
239-540-2002

Item 2: Educational Background and Business Experience

Born in 1963

Education:

Computer Science, B.S.
University of Florida, 1985

Business Background:

TerraCap Management LLC, 2008-Present

Managing Principal/ Partner
Bonita Springs, FL

Heights Realty & Investments, LLC, 2005-Present

Managing Member/Broker
Bonita Springs, FL

Landmark Bank – Giantbank.com, 2000-2011

Founding Shareholder
Board of Directors – Secretary
Ft. Lauderdale, FL

ORUS Information Services, 1999-2004

Founder and CEO

Denver, CO/Dallas, TX/Fort Lauderdale, FL/Washington D.C.

Item 3: Disciplinary Information

There are no legal or disciplinary events to disclose that are material to a client's or prospective client's evaluation of Walter S. Hagenbuckle.

Item 4: Other Business Activities

None.

Item 5: Additional Compensation

The individual receives no compensation from TerraCap not previously set forth in the ADV; however, he does receive compensation from any affiliate, related person, or outside business not already disclosed in the ADV.

Item 6: Supervision

Mr. Hagenbuckle is a managing principal for TerraCap Management, and in that capacity provides investment advice to the TerraCap Funds. The Managers collectively manage the assets of the Funds. No one Manager has supervision over another; however, Mr. Hagenbuckle, Mr. Gray and Mr. Davis oversee the activities of all supervised persons, including the Managers, through regular interactions, attestations and the implementation and monitoring of the policies and procedures set forth in the Firm's Code of Ethics and Compliance Manual.

TerraCap maintains a Code of Ethics to which all supervised persons must subscribe. The Code of Ethics provides for TerraCap and its supervised persons to exercise their fiduciary duty to clients by acting in the best interest of the client and always placing the client's interests first and foremost. TerraCap takes seriously its compliance and regulatory obligations and requires all supervised persons to comply with applicable federal and state rules and regulations, as well as the Firm's policies and procedures.

Item 7: Requirements for State-Registered Advisers

Mr. Hagenbuckle has not been involved in any of the events described below:

1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:
 - (a) an investment or an investment-related business or activity;
 - (b) fraud, false statement(s), or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or

(e) dishonest, unfair, or unethical practices.

2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

He has not been the subject of a bankruptcy petition.

Part 2B of Form ADV: Brochure Supplement

As of 12.01.2013

Item 1: Cover Page

This Brochure Supplement provides information about **Robert Gray** that supplements TerraCap Management, LLC's Form ADV, Part 2A Brochure. You should have received a copy of that brochure. Please contact Evan Rosser if you did not receive TerraCap Management brochure or if you have any questions about the contents of this supplement.

Additional information about **Robert Gray** is available on the SEC's website at www.adviserinfo.sec.gov.

TerraCap Management LLC
23421 Walden Center Drive, Suite 300
Bonita Springs, FL 34134
239-540-2002

Item 2: Educational Background and Business Experience

Born in 1963

Education:

Industrial Engineering, B.S.
Lehigh University, 1985

Business Administration, M.B.A.
Columbia University

Business Background:

TERRACAP MANAGEMENT, 2010 - present

Managing Principal/ Partner
New York, NY and Bonita Springs, FL

MORGAN STANLEY, 2002 - 2010

Managing Director/ Partner
London, UK and New York, NY

JP MORGAN & CO., 1995 – 2001

VP/Director, Commercial Mortgage Origination
New York, NY

Item 3: Disciplinary Information

There are no legal or disciplinary events to disclose that are material to a client's or prospective client's evaluation of Robert Gray.

Item 4: Other Business Activities

None.

Item 5: Additional Compensation

The individual receives no compensation from TerraCap not previously set forth in the ADV; however, he does receive compensation from any affiliate, related person, or outside business not already disclosed in the ADV.

Item 6: Supervision

Mr. Gray is a managing principal for TerraCap Management, and in that capacity provides investment advice to the TerraCap Funds. The Managers collectively manage the assets of the Funds. No one Manager has supervision over another; however, Mr. Gray oversees the activities of all supervised persons, including the Managers, through regular interactions, attestations and the implementation and monitoring of the policies and procedures set forth in the Firm's Code of Ethics and Compliance Manual.

TerraCap maintains a Code of Ethics to which all supervised persons must subscribe. The Code of Ethics provides for TerraCap and its supervised persons to exercise their fiduciary duty to clients by acting in the best interest of the client and always placing the client's interests first and foremost. TerraCap takes seriously its compliance and regulatory obligations and requires all supervised persons to comply with applicable federal and state rules and regulations, as well as the Firm's policies and procedures.

Item 7: Requirements for State-Registered Advisers

Mr. Gray has not been involved in any of the events described below:

1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:
 - (a) an investment or an investment-related business or activity;
 - (b) fraud, false statement(s), or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or
 - (e) dishonest, unfair, or unethical practices.

2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:
- (a) an investment or an investment-related business or activity;
 - (b) fraud, false statement(s), or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or
 - (e) dishonest, unfair, or unethical practices.

He has not been the subject of a bankruptcy petition.

Part 2B of Form ADV: Brochure Supplement

As of 12.01.2013

Item 1: Cover Page

This Brochure Supplement provides information about **Michael Davis** that supplements TerraCap Management, LLC's Form ADV, Part 2A Brochure. You should have received a copy of that brochure. Please contact Evan Rosser if you did not receive TerraCap Management brochure or if you have any questions about the contents of this supplement.

Additional information about **Michael Davis** is available on the SEC's website at www.adviserinfo.sec.gov.

TerraCap Management LLC
23421 Walden Center Drive, Suite 300
Bonita Springs, FL 34134
239-540-2002

Item 2: Educational Background and Business Experience

Born in 1981

Education:

Education, B.S.
Southeastern University, 2003

Business Background:

The School District of Lee County, 2003-2004

Teacher
Fort Myers, FL

Platinum Coast Mortgage, 2004-2007

Licensed Mortgage Broker
Naples, FL

Heights Realty & Investments, LLC, 2005-Present

Real Estate Agent
Bonita Springs, FL

TerraCap Management, LLC 2008-Present

Private Equity Real Estate Management Company
Co-founder – Managing Director

Item 3: Disciplinary Information

There are no legal or disciplinary events to disclose that are material to a client's or prospective client's evaluation of Michael Davis.

Item 4: Other Business Activities

None.

Item 5: Additional Compensation

The individual receives no compensation from TerraCap not previously set forth in the ADV; however, he does receive compensation from any affiliate, related person, or outside business not already disclosed in the ADV.

Item 6: Supervision

Mr. Davis is the managing director for TerraCap Management, and in that capacity provides investment advice to the TerraCap Funds. The Managers collectively manage the assets of the Funds. No one Manager has supervision over another; however, Mr. Davis oversees the activities of all supervised persons, including the Managers, through regular interactions, attestations and the implementation and monitoring of the policies and procedures set forth in the Firm's Code of Ethics and Compliance Manual.

TerraCap maintains a Code of Ethics to which all supervised persons must subscribe. The Code of Ethics provides for TerraCap and its supervised persons to exercise their fiduciary duty to clients by acting in the best interest of the client and always placing the client's interests first and foremost. TerraCap takes seriously its compliance and regulatory obligations and requires all supervised persons to comply with applicable federal and state rules and regulations, as well as the Firm's policies and procedures.

Item 7: Requirements for State-Registered Advisers

Mr. Davis has not been involved in any of the events described below:

1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:
 - (a) an investment or an investment-related business or activity;
 - (b) fraud, false statement(s), or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or
 - (e) dishonest, unfair, or unethical practices.

2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:
- (a) an investment or an investment-related business or activity;
 - (b) fraud, false statement(s), or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or
 - (e) dishonest, unfair, or unethical practices.

He has not been the subject of a bankruptcy petition.