



TerraCap Opens Second Real Estate Opportunity Fund

Naples, Florida, January 17, 2012: TerraCap Management Corp today announces the first scheduled closing of its second real estate fund, TerraCap Partners II LP. The fund began raising capital for this fund during the summer of 2011 and has a target equity raise of \$200 million. Acquisitions will include opportunistic commercial real estate investments where population growth is strong, future supply is constrained, and current acquisition prices are substantially below replacement cost. These characteristics are evident in some markets in the southeastern United States and are particularly strong in Florida. This fund focuses on off market acquisitions where property operations are in some level of distress and sellers want to move quickly, discretely, and with certainty.

Acquisition target sizes are typically \$2 to \$20 million of equity per property where the opportunity set is large but the investment is below the level where large institutional funds focus. The pipeline of acquisitions in contract, or in advanced negotiations, includes approximately 80% office and retail properties with the balance in industrial, hospitality, and land. The first property acquisition is scheduled to close in early February.

The fund's limited partners are accredited investors and high net worth individuals based in the U.S. and Europe.

The predecessor fund, TerraCap Fund I is fully invested after being oversubscribed with a final closing in December 2010. Fund I executed 15 deep value land investments in high growth markets in southwestern Florida and comprises approximately \$110 million of previous value.

W. Stephen Hagenbuckle, founder and co-managing partner of TerraCap Management Corp, said: "We are pleased to be on schedule with our capital raise in this challenging economic environment. As a deep value commercial real estate private equity fund, TerraCap II will deploy capital to take advantage of the continued correction in real property values. Given the continued pressure on sellers and the lagging nature of economic recovery, we will remain disciplined and cautious in deploying this capital." Robert Gray, co-managing partner adds, "buying in markets where long term demand growth is strong but future supply is constrained and prices today are well below replacement costs positions this fund to capture opportunistic upside while providing some mitigation of downside risk." Further defense is provided through low leverage not to exceed 50 to 65% over the life of the fund.

The fund has relationships with several institutional private equity investors who plan to provide between 50 and 80% of the equity necessary to execute acquisitions. This will allow TerraCap to scale acquisitions to the opportunities in the market and multiply its buying power while enhancing potential returns to limited partners. TerraCap Management will maximize value by actively working each asset with local experts in leasing, sales, and property management.

TerraCap I and earlier investments acquired primarily residential land and mixed-use properties representing the first large wave of selling by lenders and pressured borrowers. The next much larger wave of sales of commercial real estate loans and properties is now underway as a result of the inability of borrowers to refinance at maturity and at the expiration of current forbearance



agreements. Mr. Hagenbuckle notes: “Distress in commercial real estate properties historically follows distress in residential markets, and TerraCap II is well positioned to capitalize on opportunities given our recent funding which includes a substantial institutional investment by Washington based real estate investors and investment advisors Militello Capital, LLC, an affiliate of Piedmont Investment Advisors, LLC of Lansdowne, VA.”

“Access to sellers is the key.” Mr. Hagenbuckle continued. “We have proven to be a trustworthy and financially-sound buyer with many banks and property owners, and we have a proven record of closing on the properties, including debt secured by real property, we have contracted to acquire.”

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About TerraCap Management Corp

In 2008, W. Stephen Hagenbuckle and Michael R. Davis formed TerraCap Management Corp to take advantage of the deep distress in Florida real estate markets. TerraCap’s initial focus has been Southwest Florida, given Mr. Hagenbuckle’s history of successful investments in the Southwest Florida real estate market. TerraCap II is focused on the southeastern United States and on mainstream commercial properties. Robert Gray joined as co-managing partner in March of 2011 bringing global commercial real estate experience from a career at JPMorgan and Morgan Stanley in risk management of commercial real estate debt and on the private equity side of real estate ownership.

We desire to create a positive economic impact and long-term value for our investors, the communities in which we invest, and the users of the real estate we acquire. We have built a team of extraordinary people and have raised substantial capital to assist us in our efforts. As with all real estate cycles, we expect this period of restructuring and recapitalization to be followed by a return to growth in population and values. Further information is available at www.TerraCapMgmt.com.