HOTELS AND LAND PARCEL, KING OF PRUSSIA, PA

Mezzanine Loan:	**$5.8 million***
Term:	**7 years**
Interest Rate:	**13%**
Fees:	**0.5% origination fee, 0.5% exit fee**
Senior Mortgage:	**$38.2 million**
Appraised Value:	**$59.1 million**
Loan-to-Value Ratio:	**74.4%**

*Terra Income Fund 6 holds a $4 million interest in this loan.

Location

These two hotels and land parcel are located in King of Prussia, PA, just off I-76 (Schuylkill Expressway) and about 20 miles northwest of Center City in Philadelphia. King of Prussia is in Montgomery County, an affluent region west of Philadelphia with an average household income of $112,000.

The property's location has good access from three major thoroughfares. Directly north of the property is the Pennsylvania Turnpike (I-76), a major east/west highway running across Pennsylvania. In King of Prussia, it becomes I-276 as I-76 splits off and serves as a major access road to Philadelphia. To the south of the property is Pennsylvania US Route 202, a north/south artery.

Adjacent to the hotels serving as collateral for this loan, is the largest shopping mall in the United States in terms of leasable retail space. The focal point of the local retail market, King of Prussia Mall, is a luxury mall with numerous upscale retailers including Lord & Taylor, Neiman Marcus, and Nordstrom. The mall and the hotels are centrally located within the region and have easy highway access to the primary demand generators: businesses located in the western Philadelphia suburbs. The local office market is robust with large public and private companies including Pfizer, Quest, SAP, Lockheed Martin and Universal Health Services.

Property

The collateral securing this loan is comprised of two hotels, Crowne Plaza and Fairfield Inn, as well as a parcel of land leased to an LA Fitness facility adjacent to the hotels.

The Crowne Plaza is a 226-room full-service hotel featuring 24,000 square feet of meeting space, two ballrooms, business center, hotel restaurant and lounge. Crowne Plaza is an upscale brand for InterContinental Hotels Group (IHG), a leading global hospitality group. The Fairfield Inn is an 80-room select-service hotel offering scaled-down amenities like continental breakfast and free high-speed internet. Fairfield Inn is one of Marriott International's mid-tier brands and benefits from the Marriott booking and rewards system.

When they were built initially, the hotels were both flagged Holiday Inn with the 80-room building used as overflow lodging. In 2004, the 226-room hotel was reflagged as Crowne Plaza, and in 2008 the 80-room hotel was reflagged as Fairfield Inn. They underwent additional renovations in 2010 and 2012.

Opportunity

Our borrower, the Buccini/Pollin Group, is a real estate acquisition, development and management company headquartered in Wilmington, DE, where it is a dominant landlord. BPG owns 27 hotels and operates 34 with over 6,150 rooms in 12 states. The mid-Atlantic is a target region for BPG's investments as the company is based in Wilmington with offices in Washington and Philadelphia. This loan will be Terra's fourth to BPG. Of Terra's three previous loans to BPG, one (Justison Landing) has been repaid in full, and the other two (a Portland hotel portfolio and an office portfolio in Wilmington) are performing in line with expectations.

The seller to BPG was unwilling to invest in the hotels, which left them feeling dated. To address this issue, Buccini/Pollin plans an immediate $5 million of improvements that will refresh soft goods, update the lobbies and public areas and add fitness facilities in both hotels. As a result, IHG will extend the Crowne Plaza license agreement through 2025, and Marriott will extend the Fairfield Inn franchise agreement through 2030.

Buccini/Pollin's plan calls for the demolition and sale of the LA Fitness parcel upon expiration of its ground lease in December 2017. In the meantime, all cash flow from the LA Fitness parcel will be swept into a reserve to fund the demolition. Upon a sale, all net proceeds will be applied to pay off Terra's loan.

The sale of the land parcel is expected to generate proceeds sufficient to pay off almost all of Terra's loan. Alternatively, in the event the land parcel is not sold (and even assuming it has no value as collateral), Terra's source of repayment would be a refinance of the hotels or proceeds from a sale.

- After scheduled amortization, our analysis indicates the hotels would easily support refinancing when Terra's loan matures. Even assuming an interest rate 2.25% above that of the current mortgage loan, cash flow would be 1.3 times the new debt service. In the event of a sale, again assuming the land parcel has no value, net proceeds would be sufficient to pay off Terra's loan even if net cash flow were 7.5% below expectations and the sale occurred at a 10% cap rate.

- Cash flow over the last year has been 144% of interest-only debt service on the combination of Terra's mezzanine loan and the senior loan. Including amortization, coverage has been 113%.*

- Terra's exposure at closing is $144,000 per key including the reserve for improvements.

- The hotels are being purchased below replacement cost. There is no competitive new supply currently planned for the market.

Past performance is not a guarantee of future results.

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- The interest rate on this loan is not necessarily an indication of the return or distributions an investor may receive. Investor returns will be reduced by expenses.
- You should not expect to be able to sell your shares regardless of how we perform.
- If you are able to sell your shares, you will likely receive less than your purchase price.
- We do not intend to list our shares on any national securities exchange during or for a significant time after the end of the offering, and we do not expect a secondary market in the shares to develop.
- We have implemented a share repurchase program, but only a limited number of shares are eligible for repurchase by us. In addition, any such repurchases will be at a 10% discount to the current offering price in effect on the date of repurchase.
- You should consider that you may not have access to the money you invest for an indefinite period of time.
- An investment in our shares is not suitable for you if you need access to the money you invest.
- Our distributions may be funded from unlimited amounts of offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to us for investment. Distributions funded from a return of capital are not funded from our net profit. Any profits returned to stockholders through distributions will be distributed after payment of fees and expenses.
- We have not identified specific future investments that we will make with the proceeds of this offering and you will not have the opportunity to evaluate our investments prior to purchasing shares of our common stock. As a result, our offering may be considered a "blind pool" offering.