



HOLIDAY INN HOTEL, SANTA MARIA, CA

Mezzanine Loan:	\$4.5 million
Term:	3 years
Rate:	13%
Fees:	1% origination fee, 1% exit fee
Senior Mortgage:	\$12.5 million
Appraised Value:	\$26 million at closing
Loan-to-Value Ratio:	65.4%

Location

The hotel securing this loan is in Santa Maria, California. Located along U.S. Highway 101, Santa Maria is 120 miles north of Los Angeles and 260 miles south of San Francisco. It is the largest city in Santa Barbara County. Regional tourism, local employers and highway travelers represent the primary sources of hotel demand in the Santa Maria market.

Due to the mild year-round climate, agriculture is a key component of the economy for the region, and primary crops include strawberries, wine grapes and cauliflower, among others. The Santa Maria area is home to an increasing number of vineyards and wineries, which, along with nearby beaches and state parks, has boosted the market's regional tourism appeal. Known for some of the best Syrah, Pinot Noir and Chardonnay in the country, the Santa Maria Valley has approximately 20 wineries open for tasting. Nearby Vandenberg Air Force Base continues to grow, drawing business travelers from Lockheed Martin, Boeing and Zodiac.

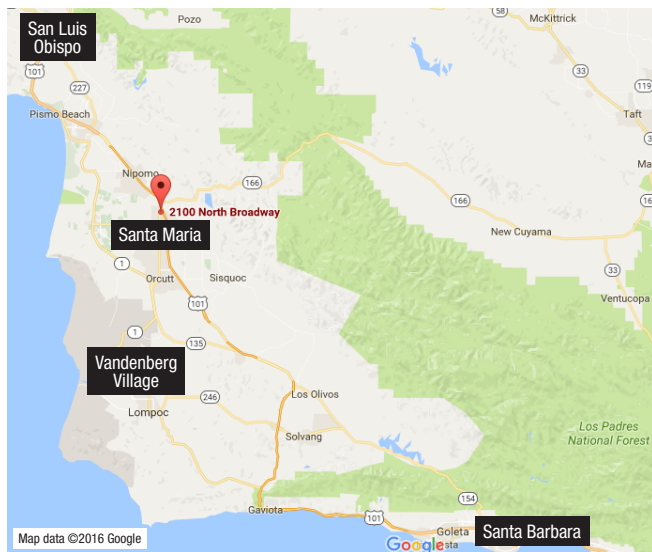
This hotel is easily visible from U.S. Route 101, the longest highway in CA, and offers rates at a meaningful

discount to higher cost hotels to the north in Pismo Beach, attracting budget conscience travelers seeking a centralized location near the various attractions. It is one of only two full-service hotels in the market with kitchenettes and room sizes comparable to limited-service, extended-stay properties, which helps to attract families, vacationers and business travelers.

The Santa Maria airport services several daily flights to and from Los Angeles, Las Vegas and San Francisco. In addition, San Louis Obispo to the north and Santa Barbara to the south also have airports, making the hotel and its area quite accessible.

The Santa Maria/Santa Barbara MSA is experiencing unemployment lower than the national average, population growth faster than national average, and household income well above the national average. Compared with a national average wealth index of 100 and a California wealth index of 106, the MSA has a wealth index of 117.

Overall, the property's neighborhood is in the stable stage of its life cycle, considered fully built out and



well established. The Santa Maria market has no hotels currently under construction and only one property, a Hampton Inn, in early pre-development.

Property

Along with the senior mortgage, Terra's loan will fund the acquisition and further improvement of a full-service Holiday Inn hotel.

Situated on 4.4 acres, this four-story hotel was originally constructed in 1986 and consists of 207 rooms, a business center, restaurant, pool and 1,894 square feet of meeting space. It features spacious standard and suite-style guestroom configurations. Deluxe rooms and suites are available for a premium rate, providing larger living and sleeping areas as well as kitchenettes and a balcony or patio. The amenities are well suited for both business and leisure travelers.

The seller purchased the hotel out of bankruptcy and invested \$3.5 million (\$17K per key) in upgrades, including refurbishing each hotel room, common area renovation and back-of-house improvements. The renovation was completed in mid-2014 and increased subsequent hotel performance. At the closing of Terra's loan, an additional \$875K will be held in reserve for further improvements and an ongoing 5% reserve will be collected during the term of the loan.

Holiday Inn is a member of the InterContinental Hotels Group brand family (IHG), a leading global hospitality group that operates nine brands in the United States and globally. Holiday Inn Express, Holiday Inn and Crowne Plaza brands are the most prevalent, making up the majority of IHG's 744 thousand rooms, which in

2015 generated \$1.8 billion of revenue. According to Goldman Sachs, IHG is the fifth largest franchisor, by hotel rooms, in the United States. Holiday Inn is one of their full-service brands with 1,154 hotels operating under the flag in over 90 countries. There are 92 million members of the IHG Rewards Club. At closing, the Santa Maria franchise agreement will be extended to a term of 20 years, evidencing IHG's commitment to the property and location.

Opportunity

Our borrower's key principal, Stephen Yang, has 17 years of experience in hotel financing, acquisitions and operations. In 2013, he founded Yang Capital, a real estate owner/operator focused on office, hotel value-add acquisitions and development in the Bay Area, New York City and select secondary markets, as well as Point Hospitality, an entrepreneurial boutique hotel manager. Operations for Point Hospitality is led by Karlene Holloman, who has more than 25 years of experience in the hospitality industry in both the United States and Australia. Her career has spanned all aspects of hotel operations, including leadership roles at Joie de Vivre Hospitality, which became the largest collection of boutique hotels and resorts in California.

All of the key executive employees that currently work at the property and oversaw the stabilization of operations following the 2014 improvements, including the general manager and the head of sales, will remain to work under Point Hospitality following the acquisition. Over the last 12 months the hotel's net cash flow has been 47% higher than in 2014 and 75% higher than in 2013 (which was prior to the seller's improvements).

- Terra estimates debt service coverage will be 1.59x in the first year, which means Terra expects the hotel will generate cash flow equal to 159% of the first year's debt payments, dropping to 1.27x when amortization kicks in.
- Since its 2014 renovation, the hotel has performed at the top of its competitive set. The Santa Maria market has no hotels currently under construction and only one property, a Hampton Inn, in early development with no timeline yet confirmed.
- A sale at a 12.5% cap rate will pay off all debt even if cash flow does not increase from its current level. The appraisers estimate the hotel will sell at a 9% cap rate when Terra's loan matures.

Past performance is not a guarantee of future results.



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- An investment in Terra 6 is speculative and involves a high degree of risk.
- 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.