



MEDICAL OFFICE BUILDING, INDIANAPOLIS, IN

Loan Amount:	\$3.5 million B-Note*
Term:	31 months, two 12-month extensions
Interest Rate:	Libor +11.6%
Senior Mortgage:	\$13.575 million (excluding B-Note piece)
Appraised Value:	\$20.0 million as-is
Loan-to-Value Ratio:	75.0% at closing and 78.3% fully funded**

*The B-Note is a subordinate interest in a senior loan and so comparable to a mezzanine loan.

**\$1.65 million of the A-Note and \$0.425 million of the B-Note are future commitments to pay for tenant improvements, leasing commissions and capex.

Location

Indianapolis is the 14th largest city in the United States. Its population grew 1% year-over-year in 2015, and employment grew 2.8% led by higher-wage sectors such as technology.

Lakeview Medical Office Park, the property securing this loan, is situated near to the Carmel submarket, the wealthiest area of Indianapolis and home to many high-income professionals. It is in close proximity to three hospitals including St. Vincent's, the second most trafficked hospital in greater Indianapolis with more than 140,000 patients per year. The other two hospitals are Community North Hospital and Indiana University's "North Campus" hospital.

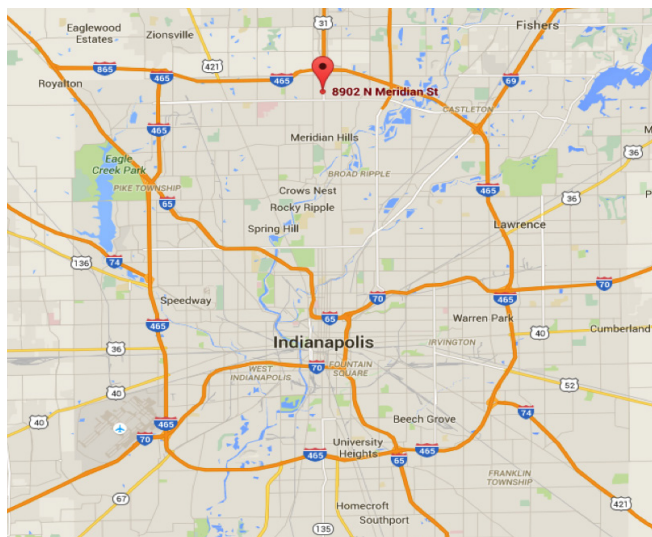
North Meridian Street — the property includes both 8902 & 9002 North Meridian Street — has become a hub of medical office space in the Indianapolis area. It's a thoroughfare offering convenient access to commuters and patients traveling to nearby hospitals. Market occupancy of medical office space

is 91.4% versus this property's current occupancy of 85.6%. There is very limited construction occurring in Indianapolis on commercial property, especially in the medical office asset class. The only medical office building under construction currently is a built-to-suit surgical center. Those in planning stages are typically built-to-suit surgery centers or urgent care facilities, which are often complementary facilities for physicians and would not compete directly with the property securing this loan.

The city is at the center of the densest county in Indiana, Marion County. I-465 serves as a beltway around Indianapolis with I-65 and I-70 crossing through it's center. The property is in north Indianapolis, just off I-465.

Property

Built to accommodate many types of medical practices, this property is 85.6% leased to a diverse group of 32 tenants including physicians, dentists and healthcare services firms. No tenant occupies



more than 10.2% of the rentable area, and the top 10 tenants make up only 56% of the base rent.

The two buildings, built in 1988, total 162,065 square feet with 716 parking spaces, all located on a lot area of 11 acres. The average age of competitive properties is approximately 27.5 years, and we believe this property compares favorably due to its location and well-maintained interior.

Terra's on-site interviews with current tenants, whose occupancies range from five to ten years, indicated their experience in the property has been generally positive. They identified pleasant changes since the current owner (our borrower) took control, and some stated they have no intention of looking for new space.

We identified only \$3k in immediate repairs and approximately \$487k in short term repairs, including parking lot paving, as well as replacement of the elevator in the 8902 building. There is \$575k set aside for capital expenditures.

The Opportunity

Our borrower's business plan is to first fully lease the property and then either refinance or sell the property when our loan matures. Our analysis indicates that a sale would generate sufficient proceeds to repay Terra's loan even if cap rates increase by 25% (property values decline when cap rates increase). Similarly, sales proceeds would repay Terra's loan even if net operating income declined 20%.

The owner (our borrower) is a joint venture between Griffin-American Healthcare REIT III and Cornerstone Companies. Cornerstone is based in Indianapolis; its principals have a combined 53 years of healthcare real estate experience and manage over four million square feet of medical office space.

Given their intimate knowledge of the local market, Cornerstone identified the property as undermanaged and acquired it from a large, publicly traded REIT that had owned the property for 10 years and may have failed to manage it effectively because it was a small component of their portfolio. In any event, occupancy was not maximized. Ross Goyer, Cornerstone's leasing manager, noted that he actually drew tenants out of this property and into other buildings that he managed by offering similar rents and better service. Based in Indianapolis, Cornerstone had managed several nearby medical office buildings and along with Griffin closed on this property through an off-market purchase in January 2016.

The purchase price was \$123 per square foot. Comparable sales have ranged from \$119 to \$301 per square foot, with the most recent at \$143 per square foot. TCP's last dollar of exposure is at \$93 per square foot at closing and \$105 when fully funded — attractive when compared to the range of comparable sales.

- Due to the proximity to three hospitals and an aging population in Indianapolis, there is strong demand for medical office space along the property's portion of North Meridian Street.
- There is \$1.5 million set aside for tenant improvements and leasing commissions. (This is known in the industry as "good news" money.)
- Cornerstone will lease and occupy 5% of the property. (Terra ignored this particular lease in its underwriting and projections.)
- The borrower has an obligation to prepay a portion of the debt if cash flow falls below an established benchmark at the end of any quarter.
- The debt service coverage ratio at closing is 1.53x, which means the property is generating cash flow equal to 153% of its debt payments.

Past performance is not a guarantee of future results.



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Terra Capital Markets (Member FINRA/SIPC) is the dealer manager for Terra Income Fund 6, which is a non-traded business development company (BDC).

- 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.