

**LAND TO BE DEVELOPED, NEWPORT BEACH, CA**

First Mortgage:	\$18 million
Term:	1 year with one 6-month extension
Interest Rate:	12%
Fees:	1% origination fee, 1% exit fee, 0.75% extension fee
Loan-to-Value Ratio:	59.2%

*Terra Income Fund 6 holds a \$2 million interest in this loan.

Location

The property securing this loan is in the Uptown section of Newport Beach, Orange County, CA. With a population of three million, Orange County is the third most populous county in California. With over 40 miles of coastline, year-round average temperature of 68 degrees and popular tourist destinations like Disneyland and Knott's Berry Farm, it draws visitors from around the globe. Numerous multinational companies, including Toshiba, Samsung and Hyundai make Orange County home for their US headquarters.

Newport Beach is one of the most affluent and desirable places to live in the country. The average household income in Newport Beach is \$177,000 and more than a quarter of the households in Newport Beach have an income greater than \$200,000. Newport Beach's Mediterranean climate lends itself to a year-round outdoor lifestyle with world-class recreational amenities in the form of beaches, harbors, parks and golf courses. High-end shopping and dining options abound throughout the city; while both Los Angeles to the north and San Diego to the south are within easy driving distance.

The median home price is \$1.5 million but the housing stock is older, with a median age of 51 years. Newport Beach is a community with both appetite and purchasing power to absorb new for-sale residential construction as well as a lack of available inventory.

The Uptown section of Newport Beach sits in Orange County's Greater Airport Area, easily accessed from many of the primary coastal transportation corridors, including the 405 Freeway, 55 Freeway and 73 Freeway. Residents of Uptown Newport live within a 10-minute drive of the Pacific Ocean, Fashion Island, Newport Boat Harbor, UC Irvine, John Wayne Airport, South Coast Plaza and The Orange County Performing Arts Center.

Property

The land is currently entitled for the construction of up to 225 residential condominium units and comprises 2.6 acres. Developable land in Newport Beach is scarce; the entitlement process notoriously difficult. Our borrower spent three years and millions of dollars getting the property appropriately zoned. The city of Newport Beach has a limit on additional units in this area which restricts future supply. While our



borrower's intent is to sell or develop the site as a 225-unit, mid-rise condominium, an alternate scenario is sale to a townhome developer.

Development requirements enforced in Uptown Newport require that any new development be comparable to other nearby re-development projects. Those located along Jamboree Corridor are a mixture of moderately high-density, attached and detached residential structures. Residential buildings may include low-rise townhomes, small lot detached condominium configurations or four- to five-story condominiums.

Opportunity

Our borrower, Shopoff Realty Investments, is a privately held, integrated real estate development and investment firm headquartered in Irvine, CA. The management team has an impressive record, having acquired \$4 billion of real estate and real estate-related investments, including 50,000 units of multifamily, 1.5 million square feet of retail, and 5 million square feet of office and industrial properties.

Over the 12-18 month term of the loan, our borrower will evaluate its options. The most likely course of action is partnering with an equity provider to build the maximum 225 units in midrise structures, though offers to buy the property will continue to be entertained. While past offers have been to purchase the land for a townhouse community with 64 units, midrise condos may better suit the current market as townhouse product was more commonly built in the past couple of years.

Terra's loan is a bridge to a construction loan or outright sale.

- Shopoff has received construction financing for other projects from lenders including Bank of America, HUD, and Bank MidWest. Shopoff has received offers to purchase this property for amounts exceeding \$31 million.
- Developable land in Newport Beach is scarce, and the entitlement process is notoriously difficult. The property has received all of its major discretionary entitlement approvals from the city.
- The borrower has invested \$8.6 million of equity in the property, including \$3.7 million invested at closing. That substantial equity investment provides a cushion for Terra's loan.



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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.