**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2021**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number: 814-01136**

# Terra Income Fund 6, Inc.

**(Exact name of registrant as specified in its charter)**

| **Maryland** | **46-2865244** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**550 Fifth Avenue, 6th Floor**
**New York, New York 10036**
**(Address of principal executive offices) (Zip Code)**

**(212) 753-5100**
**(Registrant's telephone number, including area code)**

**Securities registered pursuant to Section 12(b) of the Act:**

| **Title of each class** | **Trading Symbol(s)** | **Name of exchange on which registered** |
|---|---|---|
| **7.00% Notes due 2026** | **TFSA** | **New York Stock Exchange** |

**Securities registered pursuant to Section 12(g) of the Act:**

**Common stock, $0.001 par value**

**(Title of Class)**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☑ | Smaller reporting company ☐ |
| | Emerging growth company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 USC. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of March 30, 2022, the registrant had 8,094,060 shares of common stock, $0.001 par value, outstanding. No market value has been computed based upon the fact that no active trading market had been established as of the date of this document.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this Annual Report on Form 10-K of Terra Income Fund 6, Inc. (the "Company," "we," "our" or "us") constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this Annual Report on Form 10-K may include, but are not limited to, statements as to:

- our future operating results;
- the potential negative impacts of the ongoing coronavirus ("COVID-19") pandemic on the global economy and the impacts of COVID-19 on the Company's financial condition, results of operations, liquidity and capital resources and business operations;
- actions that may be taken by governmental authorities to contain the ongoing COVID-19 pandemic or to treat its impact;
- our business prospects and the prospects of our portfolio companies;
- the impact of the investments that we expect to make;
- the ability of our portfolio companies to achieve their objectives;
- our current and expected financings and investments;
- the adequacy of our cash resources, financing sources and working capital;
- the timing and amount of cash flows, distributions and dividends, if any, from our portfolio companies;
- our contractual arrangements and relationships with third parties;
- actual and potential conflicts of interest with any of the following affiliated entities: Terra Income Advisors, LLC ("Terra Income Advisors"), our investment adviser; Terra Capital Partners, LLC ("Terra Capital Partners"), our sponsor; Terra REIT Advisors, LLC ("Terra REIT Advisors"), a subsidiary of Terra Capital Partners; Terra Fund Advisors, LLC, an affiliate of Terra Capital Partners; Terra JV, LLC and, together with, Terra Secured Income Fund 5, LLC, Terra Secured Income Fund 5 International, Terra Income Fund International and Terra Secured Income Fund 7, LLC, (collectively, the "Terra Income Funds"); Terra Property Trust Inc ("Terra Property Trust"); Terra Offshore Funds REIT, LLC ("Terra Offshore REIT"); Mavik Real Estate Special Opportunities Fund, LP "RESOF" (formerly known as Terra Real Estate Credit Opportunities Fund, LP); Terra Capital Advisors, LLC; Terra Capital Advisors 2, LLC; Terra Income Advisors 2, LLC; or any of their affiliates;
- the dependence of our future success on the general economy and its effect on our investments;
- our use of financial leverage;
- the ability of Terra Income Advisors to locate suitable investments for us and to monitor and administer our investments;
- the ability of Terra Income Advisors or its affiliates to attract and retain highly talented professionals;
- our ability to elect to be taxed as, and maintain thereafter, our qualification as a real estate investment trust under the Internal Revenue Code of 1986, as amended (the "Code") and as a business development company under the Investment Company Act of 1940;
- the effect of changes to tax legislation and our tax position; and
- the tax status of the enterprises in which we invest.

In addition, words such as "anticipate," "believe," "expect" and "intend" indicate a forward-looking statement, although not all forward-looking statements include these words. The forward-looking statements contained in this Annual Report on Form 10-K involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Part I — Item 1A. Risk Factors" in this Annual Report. Other factors that could cause actual results to differ materially include:

- changes in the economy;
- risks associated with possible disruption in our operations or the economy generally due to terrorism or natural disasters; and
- future changes in laws or regulations and conditions in our operating areas.

We have based the forward-looking statements included in this Annual Report on Form 10-K on information available to us on the date of this Annual Report on Form 10-K. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. Stockholders are advised to consult any additional disclosures that we may make directly to stockholders or through reports that we may file in the future with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements and projections contained in this Annual Report on Form 10-K are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

## RISK FACTOR SUMMARY

We are subject to numerous risks and uncertainties (many of which may be amplified by the COVID-19 outbreak), that could cause our actual results and future events to differ materially from those set forth or contemplated in our forward-looking statements, including those summarized below. The following list of risks and uncertainties is only a summary of some of the most important factors and is not intended to be exhaustive. This risk factor summary should be read together with the more detailed discussion of risks and uncertainties set forth under Item 1A — Risk Factors.

**Risks Related to Our Common Stock**

- Our shares of common stock are not listed on an exchange or quoted through a quotation system, and will not be for the foreseeable future, if ever. Therefore, it is unlikely that investors will be able to sell them and, if they are able to do so, it is unlikely that they will receive a full return of their invested capital.
- We are not obligated to provide liquidity to our stockholders by a finite date; therefore, it will be difficult for an investor to sell his or her shares.
- Only a limited number of shares may be repurchased under our share repurchase program, and, to the extent investors are able to sell their shares under our share repurchase program, they may not be able to recover the amount of their investment in those shares.

**Risks Related to Our Business and Structure**

- Our loan portfolio is concentrated in a limited number of industries and borrowers, which may subject us to a risk of significant loss if there is a downturn in a particular industry in which we are concentrated or if one of our larger borrowers encounters financial difficulties.
- Our Board may change our operating policies, objectives or strategies without prior notice or stockholder approval, and the effects of such a change may be adverse.
- Our ability to achieve our investment objectives depends on Terra Income Advisors's ability to manage and support our investment process. If Terra Income Advisors were to lose any members of its senior management team, our ability to achieve our investment objectives could be significantly harmed.
- A significant portion of our investment portfolio is and will be recorded at fair value as determined in good faith by our Board and, as a result, there is and will be uncertainty as to the value of our portfolio investments.
- Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities in our portfolio.

**Risks Related to Terra Income Advisors and its Affiliates**

- Investors should not assume that Terra Income Advisors's experience in managing private investment programs will be indicative of its ability to comply with business development company ("BDC") election requirements.

- Terra Income Advisors and its affiliates, including our officers and some of our directors, face conflicts of interest caused by compensation arrangements with us and our affiliates, which could result in actions that are not in the best interests of our stockholders.
- We may be obligated to pay Terra Income Advisors incentive compensation even if we incur a net loss due to a decline in the value of our portfolio.
- There may be conflicts of interest related to obligations Terra Income Advisors has to our affiliates and to other clients.

**Risks Related to Business Development Companies**

- The requirement that we invest a sufficient portion of our assets in qualifying assets could preclude us from investing in accordance with our current business strategy; conversely, the failure to invest a sufficient portion of our assets in qualifying assets could result in our failure to maintain our status as a BDC.
- Regulations governing our operation as a BDC and a real estate investment trust ("REIT") will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth.
- Our ability to enter into transactions with our affiliates is restricted.

**Risks Related to Our Investments**

- A covenant breach by any of our portfolio companies may harm our operating results.
- A lack of liquidity in certain of our investments may adversely affect our business.
- Our real estate-related loans may be impacted by unfavorable real estate market conditions, which could decrease the value of our investments.
- Our real estate-related loans will be subject to interest rate fluctuations that could reduce our returns as compared to market interest rates.
- The mezzanine loans in which we may invest would involve greater risks of loss than senior loans secured by income-producing real properties.
- The B-Notes in which we may invest may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to us.
- Investments in non-conforming or non-investment grade rated loans or securities involve greater risk of loss.
- We have no established investment criteria limiting the geographic concentration of our investments. If our investments are concentrated in an area that experiences adverse economic conditions, our investments may lose value and we may experience losses.
- Hedging against interest rate exposure may adversely affect our earnings, limit our gains or result in losses.
- If we overestimate the value or income-producing ability or incorrectly price the risks of our investments, we may experience losses.

**Risks Related to Debt Financing**

- Since we borrow money, the potential for gain or loss on amounts invested in us will be magnified and may increase the risk of investing in us.
- Changes in interest rates may affect our cost of capital and net investment income.

**Risks Related to our REIT Status and Certain Other Tax Items**

- If we do not qualify as a REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability.
- The preferred equity investments we intend to make may make us unable to maintain our qualification as a REIT under the Code.
- To maintain our REIT status, we may have to borrow funds on a short-term basis during unfavorable market conditions, forego otherwise attractive opportunities, or liquidate or restructure otherwise attractive investments.

- Our charter does not contain restrictions generally found in REIT charters regarding our organization and operation as a REIT.
- The failure of a mezzanine loan to qualify as a real estate asset could adversely affect our ability to qualify as a REIT.

**General Risk Factors**

- The effects of the ongoing COVID-19 pandemic, as well as any future pandemics or similar events, and the actions taken in response thereto, may adversely affect our investments and operations.
- Future recessions, downturns, disruptions or instability could have a materially adverse effect on our business.
- As a public company, we are subject to regulations not applicable to private companies, such as provisions of the Sarbanes-Oxley Act. Efforts to comply with such regulations involves significant expenditures, and non-compliance with such regulations may adversely affect us.

# PART I

## Item 1. Business.

### Overview

We are a Maryland corporation, formed on May 15, 2013 and commenced operations on June 24, 2015. We have elected to be regulated as a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"). We are an externally managed, non-diversified, closed-end management investment company that initially elected to be taxed for federal income tax purposes as a regulated investment company ("RIC") until December 31, 2018, when we changed our tax election from taxation as a RIC to taxation as a real estate investment trust. We elected to be taxed as a REIT under Subchapter M of the Internal Revenue Code of 1986, as amended, commencing with our short taxable year beginning October 1, 2018 and ending December 31, 2018. Concurrent with the change in our tax election, we changed our fiscal year end from September 30 to December 31 to satisfy the REIT requirements under the Code. As a REIT, we are not subject to federal income taxes on income and gains distributed to the stockholders as long as certain requirements are satisfied, principally relating to the nature of income and the level of distributions, as well as other factors.

On February 10, 2021, we issued $34.8 million in aggregate principal amount of 7.00% fixed-rate notes due 2026 (the "notes"), for net proceeds of $33.7 million after deducting underwriting commissions of $1.1 million. In addition, the underwriters had an option to purchase an additional $5.2 million in aggregate principal amount of notes within 30 days. On February 26, 2021, the underwriters exercised the option to purchase an additional $3.6 million of the notes for net proceeds of $3.5 million, after deducting underwriting commissions of $0.1 million. Interest on the notes is paid quarterly in arrears every March 30, June 30, September 30 and December 30, at an annual rate of 7.00% per year, beginning June 30, 2021. The notes mature on March 31, 2026. The notes may be redeemed in whole or in part at any time or from time to time at our option on or after February 10, 2023.

On April 1, 2021, Mavik Capital Management, LP ("Mavik"), an entity controlled by Vikram S. Uppal, our Chief Executive Officer, completed a series of related transactions that resulted in all of the outstanding interests in Terra Capital Partners being acquired by Mavik for a combination of cash and interests in Mavik (the "Recapitalization"). Following the series of transactions described below, Terra Income Advisors is ultimately controlled by Mavik. Prior to the Recapitalization, Terra Capital Partners was the immediate parent and managing member of Terra Income Advisors, and was ultimately controlled by Axar Real Estate Capital Group LLC ("Axar RE Manager"). In connection with the Recapitalization, Axar RE Manager assumed direct control of Terra Income Advisors by becoming its manager. Thus, the same parties that controlled Terra Income Advisors prior to the consummation of the Recapitalization maintained control of Terra Income Advisors, and by the terms of the Recapitalization continued to do so until a new investment advisory and administrative services agreement between us and Terra Income Advisors (the "Investment Advisory Agreement") was approved by the affirmative vote of a majority of the outstanding shares of common stock entitled to vote at our 2021 annual meeting of stockholders on September 22, 2021. Subsequent to the approval of the Investment Advisory Agreement, Axar RE Manager ceased to be the manager of the Advisor and Terra Capital Partners again became the managing member of Terra Income Advisors.

On April 9, 2021, we entered into a credit agreement with a lender to provide for a delayed draw term loan of $25.0 million (the "Term Loan"). The Term Loan currently bears interest at a rate equal to 5.625% and matures on April 9, 2025.

On May 11, 2021, our board of directors (our "Board") unanimously approved the resumption of the Company's share repurchase program (the "SRP"), effective as of June 30, 2021. The Board had previously unanimously approved the suspension of the operation of the SRP effective as of April 30, 2020 in light of the challenging market conditions arising from the COVID-19 pandemic and in an effort to preserve liquidity in the Company.

### Our Investment Adviser

Our investment activities are externally managed by Terra Income Advisors, or the "Adviser", a private investment firm affiliated with us, pursuant to the Investment Advisory Agreement, under the oversight of our Board, a majority of whom are independent. Terra Income Advisors is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Terra Income Advisors is responsible for sourcing potential investments, conducting due diligence on prospective investments, analyzing investment opportunities, structuring investments and monitoring our portfolio on an ongoing basis according to asset allocation and other guidelines set by our Board. Terra Income Advisors is registered as an investment adviser with the Securities and Exchange Commission ("SEC"). The level of our investment activity depends on many factors, including the amount of debt and equity capital available to prospective borrowers, the level of refinancing activity for such companies, the availability of credit to finance transactions, the general economic environment and the competitive environment for the types of investments we make.

Under the Investment Advisory Agreement, we have agreed to pay Terra Income Advisors a base management fee as well as an incentive fee based on our investment performance.

The management of our investment portfolio is the responsibility of Terra Income Advisors and its executive officers. The investment committee of Terra Income Advisors will approve each new investment that we make. Our Board, including a majority of independent directors, oversees and monitors our investment performance and annually reviews the compensation we pay to Terra Income Advisors and its performance during the preceding 12 months to determine if the compensation paid to Terra Income Advisors is reasonable in relation to the nature and quality of the services performed, and that the provisions of the Investment Advisory Agreement are carried out.

**About Terra Capital Partners**

Terra Capital Partners, an affiliate of Terra Income Advisors, is a real estate finance and investment firm based in New York City that focuses primarily on the origination and management of commercial real estate-related loans, including mezzanine loans, as well as first mortgage loans, bridge loans and preferred equity investments, in all major property types. Since its formation in 2001 and its commencement of operations in 2002, Terra Capital Partners has been engaged in providing financing on commercial properties of all major property types throughout the United States. In the lead up to the global financial crisis in 2007, believing that the risks associated with commercial real estate markets had grown out of proportion to the potential returns from such markets, Terra Capital Partners sold 100% of its interest in its portfolio. It was not until mid-2009, after its assessment that commercial mortgage markets would begin a period of stabilization and growth, that Terra Capital Partners began to sponsor new investment vehicles, which included the Terra Income Funds, to again provide debt capital to commercial real estate markets. The financings provided by all vehicles managed by Terra Capital Partners from January 2004 through December 31, 2021 have been secured by approximately 13.9 million square feet of office properties, 3.7 million square feet of retail properties, 5.5 million square feet of industrial properties, 5,058 hotel rooms and 27,925 apartment units. The value of the properties underlying this capital was approximately $10.6 billion based on appraised values as of the closing dates of each financing. In addition to its extensive experience originating and managing debt financings, Terra Capital Partners and its affiliates have owned and operated over six million square feet of office and industrial space between 2005 and 2007, and this operational experience further informs its robust origination and underwriting standards and would be beneficial should Terra Income Advisors need to foreclose on a property underlying a financing. As of the date of this Annual Report on Form 10-K, Terra Capital Partners and its affiliates employed 25 persons.

Terra Capital Partners is led by Vikram S. Uppal (Chief Executive Officer), Gregory M. Pinkus (Chief Financial Officer) and Daniel J. Cooperman (Chief Originations Officer). Mr. Uppal was a Partner of Axar and its Head of Real Estate. Prior to Axar, Mr. Uppal was a Managing Director on the Investment Team at Fortress Investment Group's Credit and Real Estate Funds and Co-Head of North American Real Estate Investments at Mount Kellett Capital Management. Members of the Terra Capital Partners management team have broad based, long-term relationships with major financial institutions, property owners and commercial real estate service providers. The entire senior management team has held leadership roles at many top international real estate and investment banking firms, including Mount Kellett Capital Management and Fortress Investment Group.

**Investment Objectives and Strategy**

Our primary investment objectives are to pay attractive and stable cash distributions and to preserve, protect and return capital contributions to stockholders. Our investment strategy is to originate and manage a diversified portfolio consisting of (i) commercial real estate loans to U.S. companies qualifying as "eligible portfolio companies" under the 1940 Act, including mezzanine loans, first and second lien mortgage loans, subordinated mortgage loans, bridge loans and other commercial real estate-related loans related to or secured by high quality commercial real estate in the United States and (ii) preferred equity real estate investments in U.S. companies qualifying as "eligible portfolio companies" under the 1940 Act; provided, however, that we are not a "diversified company" as defined in the 1940 Act. We may also purchase select commercial real estate-related debt securities, such as commercial mortgage-backed securities ("CMBS") or collateralized debt obligations ("CDOs").

We structure, acquire and maintain a portfolio of investments that generate a stable income stream to enable us to pay attractive and consistent cash distributions to our stockholders. We directly structure, underwrite and originate most of our investments, as we believe that doing so will provide us with the best opportunity to invest in loans that satisfy our standards, establish a direct relationship with the borrower and optimize the terms of our investments; however, we may acquire existing loans from the originating lender should our adviser determine such an investment is in our best interest. We may hold our investments until their scheduled maturity dates or may sell them if we are able to command favorable terms for their disposition. We may also seek to realize growth in the value of our investments by timing their sale to maximize value. We believe that our investment strategy allows us to pay attractive and stable cash distributions to our stockholders and to preserve, protect and return our stockholders' capital contributions, consistent with our investment objectives.

Terra Income Advisors's management team has extensive experience in originating, acquiring, structuring, managing and disposing of real estate-related loans similar to the types of loans in which we intend to invest. In order to meet our investment objectives, we generally seek to follow the following investment criteria:

- focus primarily on the origination of new loans;
- focus on loans backed by properties in the United States;
- invest primarily in floating rate rather than fixed rate loans, but we reserve the right to make debt investments that bear interest at a fixed rate;
- invest in loans expected to be repaid within one to five years;
- maximize current income;
- lend to creditworthy borrowers;
- construct a portfolio that is diversified by property type, geographic location, tenancy and borrower;
- source off-market transactions; and
- hold investments until maturity unless, in our adviser's judgment, market conditions warrant earlier disposition.

While the size of each of our investments generally ranges between $3 million and $20 million, our investments ultimately are at the discretion of Terra Income Advisors, subject to oversight by our Board. We focus on smaller, middle market loans which are financing properties in primary and secondary markets because we believe these loans are subject to less competition, offer higher risk adjusted returns than larger loans with similar risk metrics and facilitate portfolio diversification.

To enhance our returns, we employ leverage, including leverage resulting from issuance of the notes, as market conditions permit and at the discretion of our Terra Income Advisors, but in no event will leverage employed exceed 50% of the value of our assets, as required by the 1940 Act. See Item 1A "Risk Factors — Risks Related to Debt Financing" for a discussion of the risks inherent in employing leverage.

**Business Strategy**

In executing our business strategy, we believe that we benefit from Terra Income Advisors's affiliation with Terra Capital Partners, given its strong track record and extensive experience and capabilities as real estate investment manager and sponsor of the Terra Income Funds. We believe the following core strengths will enable us to realize our investment objectives and provide us with significant competitive advantages in the marketplace, and attractive risk-adjusted returns to our stockholders:

***Significant Experience of Terra Capital Partners***

Terra Capital Partners provides Terra Income Advisors with all of its key investment personnel. Terra Capital Partners has developed a reputation within the commercial real estate finance industry as a leading sophisticated real estate investment and asset management company with a 19-year track record in originating, underwriting and managing commercial real estate and real estate-related loans, preferred equity investments and investments with similar characteristics to the assets that we acquire. We believe we benefit from the depth and the disciplined approach Terra Capital Partners brings to its underwriting and investment management processes to structure and manage investments prudently. In addition to its extensive experience originating and managing debt financings, Terra Capital Partners and its affiliates have owned and operated over six million square feet of office and industrial space between 2005 and 2007, and this operational experience has further informed its robust origination and underwriting standards.

***Disciplined Investment Process***

We follow a disciplined investment origination, underwriting and selection process. We follow an investment approach focused on long-term credit performance and capital protection. This investment approach involves a multi-phase evaluation, structuring and monitoring process for each potential investment opportunity. After investment, our management team focuses on a thorough review of our investments for potential credit quality deterioration and potential proactive steps, including making available significant managerial assistance as required by the 1940 Act, to mitigate any losses to our invested capital.

We believe this approach maximizes current income and minimizes capital loss. To date, all of the loans originated by Terra Income Advisors and its affiliates have generated a positive return, which we believe is attributable to our advisor's rigorous origination, underwriting and selection process.

***Portfolio Construction***

We construct a portfolio that is diversified by property type, geographic location and borrower. We construct our portfolio based on our evaluation of the impact of each potential investment on the risk/reward mix in our existing portfolio. By selecting those assets that we believe will maximize stockholder returns while minimizing investment-specific risk, we believe we can build and manage an investment portfolio that provides superior value to stockholders over time, both in absolute terms and relative to other commercial real estate loan and real estate-related investment vehicles.

***Superior Analytical Approach***

We believe that our management team possesses the superior analytical approach to evaluate each potential investment through the balanced use of qualitative and quantitative analysis, which helps us manage risk on an individual investment and portfolio basis. We rely on a variety of analytical approach and models to assess our investments and risk management. We also conduct an extensive evaluation of the numerous factors that affect our potential investments. These factors include:

- Top-down review of both the current macroeconomic environment generally and the real estate and commercial real estate loan market specifically;
- Detailed evaluation of the real estate industry and its sectors;
- Bottom-up review of each individual investment's attributes and risk/reward profile relative to the macroeconomic environment;
- Quantitative cash flow analysis and impact of the potential investment on our portfolio; and
- Ongoing management and monitoring of all investments to assess changing conditions on our original investment assumptions.

***Extensive Strategic Relationships***

Our management team maintains extensive relationships within the real estate industry, including real estate developers, institutional real estate sponsors and investors, real estate funds, investment and commercial banks, private equity funds, asset originators and broker-dealers, as well as the capital and financing markets generally. We believe these relationships enhance our ability to source and finance our investments as well as mitigate their credit and interest rate risk. We leverage the many years of experience and well-established contacts of our management team, and to use these relationships for the benefit of our stockholders.

**Targeted Investments**

***Real Estate-Related Loans***

We originate, acquire, fund and structure real estate-related loans, including first and second mortgage loans, mezzanine loans, bridge loans, convertible mortgages and other loans related to high-quality commercial real estate in the United States. We may also acquire some equity participations in the underlying collateral of such loans. We invest in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be difficult to value and illiquid. We structure, underwrite and originate most if not all of our investments. We use what we consider to be conservative underwriting criteria, and our underwriting process involves comprehensive financial, structural, operational and legal due diligence to assess the risks of investments so that we can optimize pricing and structuring. By originating loans directly, we are able to structure and underwrite loans that satisfy our standards, establish a direct relationship with the borrower and utilize our own documentation. Described below are some of the types of loans we own and may originate.

*Mezzanine Loans*. These are loans secured by ownership interests in an entity that owns commercial real estate and generally finance the acquisition, refinancing, rehabilitation or construction of commercial real estate. Mezzanine loans may be either short-term (one-to-five year) or long-term (up to 10-year) and may be fixed or floating rate. We may originate mezzanine loans backed by high-quality properties in the United States that fit our investment strategy. We may own such mezzanine loans directly or we may hold a participation in a mezzanine loan or a sub-participation in a mezzanine loan. These loans are predominantly current-pay loans (although there may be a portion of the interest that accrues) and may provide for participation in the value or cash flow appreciation of the underlying property as described below. We invest in mezzanine loans with loan-to-value ratios ranging from 60% to 80%.

*Preferred Equity Investments*. These are investments in preferred membership interests in an entity that owns commercial real estate and generally finance the acquisition, refinancing, rehabilitation or construction of commercial real estate. These investments are expected to have similar characteristics to and returns as mezzanine loans.

*Subordinated Mortgage Loans (B-notes)*. B-notes include structurally subordinated first mortgage loans and junior participations in first mortgage loans or participations in these types of assets. Like first mortgage loans, these loans generally finance the acquisition, refinancing, rehabilitation or construction of commercial real estate. B-notes may be either short-term (one-to-five year) or long-term (up to 10-year), may be fixed or floating rate and are predominantly current-pay loans. We may originate current-pay B-notes backed by high-quality properties in the United States that fit our investment strategy. We may create B-notes by tranching our directly originated first mortgage loans generally through syndications of senior first mortgages or buy such assets directly from third-party originators.

Investors in B-notes are compensated for the increased risk of such assets from a pricing perspective but still benefit from a lien on the related property. Investors typically receive principal and interest payments at the same time as senior debt unless a default occurs, in which case these payments are made only after any senior debt is made whole. Rights of holders of B-notes are usually governed by participation and other agreements that, subject to certain limitations, typically provide the holders of subordinated positions of the mortgage loan with the ability to cure certain defaults and control certain decisions of holders of senior debt secured by the same properties (or otherwise exercise the right to purchase the senior debt), which provides for additional downside protection and higher recoveries.

*Bridge Loans*. We offer bridge financing products to borrowers who are typically seeking short-term capital to be used in an acquisition, development or refinancing of a given property. From the borrower's perspective, shorter term bridge financing is advantageous because it allows time to improve the property value through repositioning without encumbering it with restrictive long-term debt. The terms of these loans generally do not exceed three years. Bridge loans may be structured as mezzanine loans, preferred equity or first mortgages.

*First Mortgage Loans*. These loans generally finance the acquisition, refinancing, rehabilitation or construction of commercial real estate. First mortgage loans may be either short-term (one-to-five year) or long-term (up to 10-year), may be fixed or floating rate and are predominantly current-pay loans. We originate current-pay first mortgage loans backed by high-quality properties in the United States that fit our investment strategy. We selectively syndicate portions of these loans, including senior or junior participations that will effectively provide permanent financing or optimize returns which may include retained origination fees.

First mortgages provide for a higher recovery rate and lower defaults than other debt positions due to the lender's senior position. However, such loans typically generate lower returns than subordinate debt such as mezzanine loans or B-notes.

*Equity Participations*. In connection with our loan origination activities, we may pursue equity participation opportunities, or interests in the projects being financed, in instances when we believe that the risk-reward characteristics of the loan merit additional upside participation because of the possibility of appreciation in value of the underlying assets securing the loan. Equity participations can be paid in the form of additional interest, exit fees or warrants in the borrower. Equity participation can also take the form of a conversion feature, permitting the lender to convert a loan or preferred equity investment into equity in the borrower at a negotiated premium to the current net asset value ("NAV") of the borrower. We expect to be able to obtain equity participations in certain instances where the loan collateral consists of an asset that is being repositioned, expanded or improved in some fashion which is anticipated to improve future cash flow. In such case, the borrower may wish to defer some portion of the debt service or obtain higher leverage than might be merited by the pricing and leverage level based on historical performance of the underlying asset. We generate additional revenues from these equity participations as a result of excess cash flows being distributed or as appreciated properties are sold or refinanced.

*Other Real Estate-Related Investments*. Our advisor has the right to invest in other real estate-related investments, which may include CMBS or other real estate debt or equity securities, so long as such investments do not constitute more than 15% of our assets. Certain of our real estate-related loans require the borrower to make payments of interest on the fully committed principal amount of the loan regardless of whether the full loan amount is outstanding.

**Human Capital Management**

We do not currently have any employees and do not expect to have any employees. Services necessary for our business are provided by individuals who are employees of our advisor, Terra Income Advisors, or by individuals who were contracted by us or by Terra Income Advisors to work on behalf of us pursuant to the terms of the Investment Advisory Agreement between us and Terra Income Advisors.

**Regulation**

We have elected to be regulated as a BDC under the 1940 Act. As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities.

"A majority of the outstanding voting securities" of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of the voting securities of such company present at a meeting if the holders of more than 50% of the company's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the outstanding voting securities of such company.

***Qualifying Assets***

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:
    a. is organized under the laws of, and has its principal place of business in, the United States;
    b. is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
    c. satisfies any of the following:
        i. does not have any class of securities that is traded on a national securities exchange;
        ii. has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million;
        iii. is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company;
        iv. is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million; or
        v. meets such other criteria as may be established by the SEC.
2. Securities of any eligible portfolio company that we control.
3. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
4. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
5. Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

6. Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

Control, as defined by the 1940 Act, is presumed to exist where a BDC beneficially owns more than 25% of the outstanding voting securities of the portfolio company.

In addition, a BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities in eligible portfolio companies, or in other securities that are consistent with its purpose as a BDC.

***Managerial Assistance to Portfolio Companies***

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, we must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Terra Income Advisors or its affiliates may provide such managerial assistance on our behalf to portfolio companies that request this assistance, recognizing that our involvement with each investment will vary based on factors including the size of the company, the nature of our investment, the company's overall stage of development and our relative position in the capital structure. We may receive fees for these services.

***Temporary Investments***

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements.

***Indebtedness and Senior Securities***

As a BDC, we are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must generally make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or stock unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see Item 1A "Risk Factors — Risks Related to Debt Financing" and Item 1A "Risk Factors — Risks Related to Business Development Companies."

***Common Stock***

We will generally not be able to issue and sell our common stock at a price per share, after deducting selling commissions, broker-dealer fees, and dealer manager fees, that is below our NAV per share. See Item 1A "Risk Factors — Risk Related to Business Development Companies — Regulations governing our operation as a BDC and a REIT will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth." We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current NAV of our common stock if our Board determines that such sale is in our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our Board, closely approximates the market value of such securities (less any distributing commission or discount). We may generally issue new shares of our common stock at a price below NAV per share in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances, subject to applicable requirements of the 1940 Act.

***Co-Investments***

As a BDC, we are subject to certain regulatory restrictions in making our investments. For example, we may be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Board who are not interested persons and, in some cases, prior approval by the SEC. The SEC has granted us exemptive relief permitting us, subject to satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions with certain affiliates of Terra Income Advisors, including the Terra Income Funds, Terra Property Trust, and any future BDC or closed-end management investment company that is registered under the 1940 Act and is advised by Terra Income Advisors or its affiliated investment advisers (the "Co-Investment Affiliates"). However, we will be prohibited from engaging in certain transactions with our affiliates even under the terms of this exemptive order. We believe this relief will not only enhance our ability to further our investment objectives and strategy, but may also increase favorable investment opportunities for us, in part by allowing us to participate in larger investments, together with our Co-Investment Affiliates, than would be available to us if we had not obtained such relief.

***Compliance Policies and Procedures***

As a BDC, we and Terra Income Advisors have each adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation. Our Chief Compliance Officer and the chief compliance officer of Terra Income Advisors are responsible for administering these policies and procedures.

***Proxy Voting Policies and Procedures***

We have delegated our proxy voting responsibility to Terra Income Advisors. The proxy voting policies and procedures of Terra Income Advisors are set forth below. The guidelines are reviewed periodically by Terra Income Advisors and our disinterested directors, and, accordingly, are subject to change. For purposes of these proxy voting policies and procedures described below, "we" "our" and "us" refers to Terra Income Advisors.

*Proxy Policies*

As an investment adviser registered under the Advisers Act, we have a fiduciary duty to act solely in the best interests of our clients. As part of this duty, we recognize that we must vote client securities in a timely manner free of conflicts of interest and in the best interests of our clients.

These policies and procedures for voting proxies for our investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

We vote proxies relating to our portfolio securities in the best interests of our clients' stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by our clients. Although we generally vote against proposals that may have a negative impact on our clients' portfolio securities, we may vote for such a proposal if there exist compelling long-term reasons to do so.

Our proxy voting decisions are made by the senior officers who are responsible for monitoring each of our client's investments. To ensure that our vote is not the product of a conflict of interest, we require that: (i) anyone involved in the decision making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

*Proxy Voting Records*

Investors may obtain information, without charge, regarding how Terra Income Advisors voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, Bernadette Murphy.

***Other***

As a BDC, we will be periodically examined by the SEC for compliance with applicable securities laws and related regulations.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

***Available Information***

We are required to file with or submit to the SEC annual, quarterly and current reports, proxy statements and other information meeting the informational requirements of the Exchange Act. We maintain a website at *http://www.terrafund6.com*, on which we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K and investors should not consider information contained on our website to be part of this Annual Report on Form 10-K or any other report we file with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC, which are available on the SEC's website at *www.sec.gov*.

## Item 1A. Risk Factors.

*Investing in our common stock and the notes involves certain risks relating to our structure and investment objectives. Investors should carefully consider these risk factors, together with all of the other information included in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes. The risks set forth below are not the only risks we face, and we may face other risks that we have not yet identified, which we do not currently deem material or which are not yet predictable. If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our NAV of our common stock and the trading price of the notes could decline, and investors may lose all or part of their investment.*

### Risks Related to Our Common Stock

***Our shares of common stock are not listed on an exchange or quoted through a quotation system, and will not be for the foreseeable future, if ever. Therefore, it is unlikely that investors will be able to sell them and, if they are able to do so, it is unlikely that they will receive a full return of their invested capital.***

Our shares of common stock are illiquid, and as such there is no secondary market and it is not expected that any will develop in the foreseeable future. As a result, investors will have limited ability to sell their shares.

***We are not obligated to provide liquidity to our stockholders by a finite date, either from the repayment to us of our debt investments within a reasonable period of time or from a liquidity event; therefore, it will be difficult for an investor to sell his or her shares.***

We are not obligated to provide liquidity to our stockholders by a finite date, either from the repayment to us of our debt investments within a reasonable period of time or from a liquidity event. A liquidity event could include (i) a listing of our shares on a national securities exchange, (ii) the sale of all or substantially all of our assets either on a complete portfolio basis or individually followed by a liquidation or (iii) a merger or another transaction approved by our Board in which our stockholders receive cash or shares of a publicly traded company. However, there can be no assurance that we will return our stockholders' capital contributions by a specified date following either the repayment to us of our debt investments or the completion of a liquidity event. In such event, the liquidity for an investor's shares will be limited to our share repurchase program, which we have no obligation to maintain.

***Only a limited number of shares may be repurchased under our share repurchase program, and, to the extent investors are able to sell their shares under our share repurchase program, they may not be able to recover the amount of their investment in those shares.***

The share repurchase program includes numerous restrictions that limit investors' ability to sell their shares. Further, we will have no obligation to repurchase shares if the repurchase would violate the restrictions on distributions under federal law or Maryland law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency. Any of the foregoing limitations may prevent us from accommodating all repurchase requests made in any year.

In addition, our Board may amend, suspend or terminate the share repurchase program upon 30 days' notice. On March 25, 2020, the Board unanimously approved the suspension of the operation of the share repurchase program, effective as of April 30, 2020. On May 11, 2021, the Board unanimously approved the resumption of the share repurchase program effective as of June 30, 2021. In addition, although we have adopted a share repurchase program, we have discretion to not repurchase any investor's shares, to suspend the share repurchase program and to cease repurchases. Further, the share repurchase program has many limitations and should not be relied upon as a method to sell shares promptly or at a desired price.

***The timing of our repurchase offers pursuant to our share repurchase program may be disadvantageous to our stockholders.***

When we make quarterly repurchase offers pursuant to our share repurchase program, we may offer to repurchase shares at a price that is lower than the price that investors previous paid for shares. As a result, to the extent investors have the ability to sell their shares to us as part of our share repurchase program, the price at which an investor may sell shares, which will be the most recently disclosed NAV per share immediately prior to the date of repurchase, may be lower than what an investor paid in connection with the previous purchase of shares.

In addition, in the event an investor chooses to participate in our share repurchase program, the investor will be required to provide us with notice of intent to participate prior to knowing what the repurchase price will be on the repurchase date. Although an investor will have the ability to withdraw a repurchase request prior to the repurchase date, to the extent an investor seeks to sell shares to us as part of our share repurchase program, the investor may be required to do so without knowledge of what the repurchase price of our shares will be on the repurchase date.

***A stockholder's interest in us will be diluted if we issue additional shares, which could reduce the overall value of an investment in us.***

Our investors do not have preemptive rights to any shares we issue in the future. Pursuant to our charter, a majority of our Board may amend our charter from time to time to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series without stockholder approval. To the extent we issue additional equity interests after an investor purchases our shares, an investor's percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our investments, an investor may also experience dilution in the book value and fair value of his or her shares.

***Certain provisions of our charter and bylaws, as well as provisions of the Maryland General Corporation Law, could deter takeover attempts and have an adverse impact on the value of our common stock.***

The Maryland General Corporation Law (the "MGCL"), and our charter and bylaws contain certain provisions that may have the effect of discouraging, delaying or making difficult a change in control of our company or the removal of our incumbent directors. We will be covered by the Business Combination Act of the MGCL, pursuant to which certain business combinations between us and an "interested stockholder" (defined generally to include any person who beneficially owns, directly or indirectly, 10% or more of the voting power of our outstanding voting stock) or an affiliate thereof are prohibited for five years and thereafter are subject to supermajority stockholder voting requirements, to the extent that such statute is not superseded by applicable requirements of the 1940 Act. However, our Board has adopted a resolution exempting from the Business Combination Act any business combination between us and any person to the extent that such business combination receives the prior approval of our Board, including a majority of our directors who are not interested persons as defined in the 1940 Act. Under the Control Share Acquisition Act of the MGCL, "control shares" acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of stockholders entitled to cast two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquirer, by officers or by employees who are directors of the corporation. Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of shares of our common stock. The Business Combination Act (if our Board should repeal the resolution or fail to first approve a business combination) and the Control Share Acquisition Act (if we amend our bylaws to be subject to that Act) may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. We will not amend our bylaws to remove the current exemption from the Control Share Acquisition Act without a formal determination by our Board that doing so would be in the best interests of our stockholders, and without first notifying the SEC in writing.

In addition, at any time that we have a class of equity securities registered under the Exchange Act and we have at least three independent directors, certain provisions of the MGCL permit our Board, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, including increasing the vote required to remove a director.

Our Board is also divided into three classes of directors serving staggered three-year terms, with the term of office of only one of the three classes expiring each year. The classified board provision could have the effect of making the replacement of incumbent directors more time-consuming and difficult. At least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of the Board. Thus, the classified board provision could increase the likelihood that incumbent directors will retain their positions.

These provisions may inhibit a change of control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the value of our common stock.

**Risks Related to Our Business and Structure**

***Our loan portfolio is concentrated in a limited number of industries and borrowers, which may subject us to a risk of significant loss if there is a downturn in a particular industry in which we are concentrated or if one of our larger borrowers encounters financial difficulties. For example, as of December 31, 2021, our investments secured by multifamily and mixed-use properties represented approximately 38.7% and 31.5%, respectively, of our net assets, we held only nine loan investments, our largest loan investment represented approximately 29.1% of our net assets and our top three loan investments represented approximately 78.7% of our net assets.***

We have elected to be treated as a REIT for tax purposes, and therefore are not subject to the RIC-specific diversification requirements. Our portfolio is concentrated in a limited number of industries and borrowers, and, as a result, a downturn in any particular industry or borrower in which we are heavily invested may significantly impact the aggregate returns we realize. If an industry in which we are heavily invested suffers from adverse business or economic conditions (as a result of the COVID-19 pandemic or otherwise), a material portion of our investment could be affected adversely, which, in turn, could adversely affect our financial position and results of operations. As of December 31, 2021, our investments secured by multifamily and mixed-use properties represented approximately 38.7% and 31.5%, respectively, of our net assets. In addition, as of December 31, 2021, we held only nine loan investments and our largest loan investment represented approximately 29.1% of our net assets and our top three loan investments represented approximately 78.7% of our net assets. A covenant breach or other adverse event effecting a portfolio company would have a more weighted impact on our operating results and would require a write-down of a larger percentage of our assets than if we met the RIC-specific diversification requirements.

O***ur Board may change our operating policies, objectives or strategies without prior notice or stockholder approval, and the effects of such a change may be adverse.***

Our Board has the authority to modify or waive our current operating policies, objectives or investment criteria and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies, investment criteria and strategies would have on our business, NAV, operating results and the value of the notes. However, the effects might be adverse, which could negatively impact our ability to pay principal and interest payments on the notes and cause investors to lose all or part of their investment. Moreover, we will have significant flexibility in making investments and may invest in ways with which investors may not agree or for purposes other than those previously contemplated.

***Our ability to achieve our investment objectives depends on Terra Income Advisors's ability to manage and support our investment process. If Terra Income Advisors were to lose any members of its senior management team, our ability to achieve our investment objectives could be significantly harmed.***

Since we have no employees, we depend on the investment expertise, skill and network of business contacts of Terra Income Advisors, which evaluates, negotiates, structures, executes, monitors and services our investments. Our future success depends to a significant extent on the continued service and coordination of Terra Income Advisors and its senior management team. The departure of any members of Terra Income Advisors's senior management team could have a material adverse effect on our ability to achieve our investment objectives.

Our ability to achieve our investment objectives depends on Terra Income Advisors's ability to identify, analyze, invest in, finance and monitor companies that meet our investment criteria. Terra Income Advisors's capabilities in structuring the investment process, providing competent, attentive and efficient services to us, and facilitating access to financing on acceptable terms depend on the employment of investment professionals in an adequate number and of adequate sophistication to match the corresponding flow of transactions. To achieve our investment objectives, Terra Income Advisors may need to hire, train, supervise and manage new investment professionals to participate in our investment selection and monitoring process. Terra Income Advisors may not be able to find investment professionals in a timely manner or at all. Failure to support our investment process could have a material adverse effect on our business, financial condition and results of operations.

In addition, the Investment Advisory Agreement has termination provisions that allow the parties to terminate the agreements without penalty. The Investment Advisory Agreement may be terminated at any time, without penalty, by Terra Income Advisors, upon 120 days' notice to us. The termination of this agreement may adversely impact the terms of any financing facility into which we may enter, which could have a material adverse effect on our business and financial condition.

***Because our business model depends to a significant extent upon relationships with real estate and real estate-related industry participants, investment banks and commercial banks, the inability of Terra Income Advisors to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.***

We expect that Terra Income Advisors will depend on its relationships with real estate and real estate-related industry participants, investment banks and commercial banks, and we will rely to a significant extent upon these relationships, to provide us with potential investment opportunities. If Terra Income Advisors fails to maintain its existing relationships or develop new relationships or sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom Terra Income Advisors has relationships are not obligated to provide us with investment opportunities, and therefore there is no assurance that such relationships will generate investment opportunities for us.

***We may face increasing competition for investment opportunities, which could delay deployment of our capital, reduce returns and result in losses.***

We compete for investments with other alternative investment funds (including real estate and real estate-related investment funds, mezzanine funds and collateralized loan obligation funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Moreover, alternative investment vehicles, such as hedge funds, have begun to invest in areas in which they have not traditionally invested, including assets of the type we intend to acquire. As a result of these new entrants, competition for investment opportunities in private real estate and real estate-related U.S. companies may intensify.

Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and demand more favorable investment terms and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss.

***A significant portion of our investment portfolio is and will be recorded at fair value as determined in good faith by our Board and, as a result, there is and will be uncertainty as to the value of our portfolio investments.***

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by our Board. There is not a public market for the securities of the privately held real estate and real estate-related companies in which we invest. As a result, we value these securities quarterly at fair value as determined in good faith by our Board.

Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these non-traded securities existed. Due to this uncertainty, our fair value determinations may cause our NAV on a given date to materially understate or overstate the value that we may ultimately realize upon the sale of one or more of our investments.

***There is a risk that investors in our common stock may not receive distributions or that our distributions will not grow over time.***

We cannot assure investors that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. All distributions will be paid at the discretion of our Board and will depend on our earnings, our net investment income, our financial condition, compliance with applicable BDC regulations and such other factors as our Board may deem relevant from time to time. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions.

***Our distribution proceeds may exceed our earnings. Therefore, portions of the distributions that we make may represent a return of capital to investors for tax purposes, which will lower investors' tax basis in their shares.***

In the event that we encounter delays in locating suitable investment opportunities, we may pay all or a substantial portion of our distributions from borrowings in anticipation of future cash flow, which may constitute a return of stockholder capital and will lower investors' tax basis in their shares. A return of capital generally is a return of each investor's investment rather than a return of earnings or gains derived from our investment activities.

***Changes in laws or regulations governing our operations or the operations of our business partners may adversely affect our business or cause us to alter our business strategy.***

We and our portfolio companies are subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. Changes in laws or regulations governing the operations of those with whom we do business, including selected broker-dealers selling our shares, could also have a material adverse effect on our business, financial condition and results of operations.

In addition, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy to avail ourselves of new or different opportunities. Such changes could result in material differences to our strategies and plans as set forth in this Annual Report on Form 10-K and may result in our investment focus shifting from the areas of expertise of Terra Income Advisors to other types of investments in which Terra Income Advisors may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of each investor’s investment.

***Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities in our portfolio.***

As of December 31, 2021, approximately $36.5 million of our investment portfolio, or approximately 49.6% of our net assets, included an interest rate that was indexed to the London Interbank Offered Rate (“LIBOR”), all of which are subject to a LIBOR floor. The United Kingdom’s Financial Conduct Authority, which regulates LIBOR, has announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after June 30, 2023. The Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee, which identified the Secured Overnight Financing Rate (“SOFR”) as its preferred alternative to U.S. dollar LIBOR in derivatives and other financial contracts. We are not able to predict when LIBOR will cease to be available. Potential changes, or uncertainty related to such potential changes, may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, additional changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities, including the value of the LIBOR-indexed, floating-rate debt securities in our portfolio. In the event LIBOR is unavailable, our investment documents provide for a substitute index, on a basis generally consistent with market practice, intended to put us in substantially the same economic position as LIBOR.

***We may experience fluctuations in our quarterly results.***

We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we originate and acquire, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods.

***Our ability to maintain the security of customer, associate, third-party or company information could have an impact on our reputation and our results.***

We have been, and likely will continue to be, subject to computer hacking, acts of vandalism or theft, malware, computer viruses or other malicious codes, phishing, employee error or malfeasance, catastrophes, unforeseen events or other cyber-attacks. To date, we have seen no material impact on our business or operations from these attacks or events. Any future significant compromise or breach of our data security, whether external or internal, or misuse of customer, associate, supplier or Company data, could result in significant costs, lost sales, fines, lawsuits, and damage to our reputation. However, the ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems and processes and overall security environment, as well as those of any companies we acquire. There is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

### Risks Related to Terra Income Advisors and its Affiliates

***We were the first publicly registered investment program sponsored by Terra Capital Partners and its affiliates, and therefore investors should not assume that the prior performance of any of the Terra Income Funds will be indicative of our future performance, or that our officers' experience in managing those Terra Income Funds will be indicative of their ability to manage a publicly registered company. In addition, Terra Income Advisors has limited experience managing a BDC. Therefore, investors should not assume that their experience in managing private investment programs will be indicative of their ability to comply with BDC election requirements.***

We were the first publicly registered investment program sponsored by Terra Capital Partners and its affiliates. Because previous programs and investments sponsored by Terra Capital Partners or its affiliates were not publicly registered, those previous programs, including the Terra Income Funds, were not subject to the same limitations, restrictions and regulations to which we will be subject. Our officers have never operated a publicly registered investment program before. Operation as a publicly registered program under the Securities Act and the Exchange Act imposes a number of disclosure requirements and obligations, including among other things:

- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations from those of the Terra Income Funds;
- disclosure requirements with respect to investment activities, which are publicly available to our competitors;
- requirements with respect to implementation of disclosure controls and procedures over financial reporting;
- preparation of annual, quarterly and current reports in compliance with SEC requirements and to be filed with the SEC and made publicly available; and
- additional liabilities imposed on our directors and officers regarding certifications and disclosures made in periodic reports and filings made with the SEC.

In addition, the costs associated with registration as a public company and compliance with such restrictions could be substantial. These costs will reduce the amount available for distribution to our investors and principal and interest payments on the notes. In addition, these requirements would require a substantial amount of time on the part of Terra Income Advisors and its affiliates, thereby decreasing the time they spend actively managing our investments. As a result, investors should not assume that the prior performance of those programs will be indicative of our future performance, or that our officers' experience in managing those Terra Income Funds will be indicative of their ability to manage a publicly registered company.

The private funds, including the Terra Income Funds, did not elect to be treated as BDCs, and were therefore not subject to the investment restrictions imposed by the 1940 Act. The 1940 Act and the Code impose numerous constraints on the operations of BDCs that do not apply to the other types of investment vehicles. For example, under the 1940 Act, BDCs are required to invest at least 70% of their total assets primarily in securities of qualifying U.S. private or thinly traded public companies. The failure to comply with these provisions in a timely manner could prevent us from qualifying as a BDC, which could result in adverse effects to us. Terra Income Advisors's limited experience in managing a portfolio of assets under such constraints may hinder its ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objectives. The Terra Income Funds also were not subject to the distribution requirements imposed by the Code; thus, Terra REIT Advisors and Terra Fund Advisors, LLC, the managers of the Terra Income Funds, had greater flexibility in making investment and asset allocation decisions on behalf of the Terra Income Funds.

Terra Income Advisors's management team consists of the same personnel that form the operations team of the managers of the Terra Income Funds. Terra Income Advisors has no prior experience managing a BDC. Therefore, Terra Income Advisors may not be able to successfully operate our business or achieve our investment objectives. As a result, an investment in our securities may entail more risk than the securities of a comparable company with a substantial operating history.

***Terra Income Advisors and its affiliates, including our officers and some of our directors, face conflicts of interest caused by compensation arrangements with us and our affiliates, which could result in actions that are not in the best interests of our stockholders.***

Terra Income Advisors and its affiliates receive substantial fees from us in return for their services, and these fees could influence the advice provided to us. Among other matters, the compensation arrangements could affect their judgment with respect to public offerings of equity by us, and consequently Terra Income Advisors to earn increased asset management fees. In addition, the decision to utilize leverage will increase our assets and, as a result, will increase the amount of management fees payable to Terra Income Advisors.

***We may be obligated to pay Terra Income Advisors incentive compensation even if we incur a net loss due to a decline in the value of our portfolio.***

Our Investment Advisory Agreement entitles Terra Income Advisors to receive incentive compensation on income regardless of any capital losses. In such case, we may be required to pay Terra Income Advisors incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or if we incur a net loss for that quarter.

Any incentive fee payable by us that relates to our net investment income may be computed and paid on income that may include interest that has been accrued but not yet received. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously included in the calculation of the incentive fee will become uncollectible. Terra Income Advisors is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never received as a result of a default by an entity on the obligation that resulted in the accrual of such income, and such circumstances would result in our paying an incentive fee on income we never received.

***There may be conflicts of interest related to obligations Terra Income Advisors has to our affiliates and to other clients.***

Terra Income Advisors, our investment adviser, and its affiliates who serve as investment advisers or managers to Terra Property Trust, the Terra Income Funds, Terra Offshore REIT and RESOF, share the same senior management and investment teams. As a result, the members of the senior management and investment teams of Terra Income Advisors serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds managed by the same personnel. In serving in these multiple and other capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in our best interests or in the best interest of our security holders. Our investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. As a result, Terra Income Advisors and its affiliates, their employees and certain of their affiliates will have conflicts of interest in allocating their time between us and other activities in which they are or may become involved. Terra Income Advisors and its employees will devote only as much of its or their time to our business as Terra Income Advisors and its employees, in their judgment, determine is reasonably required, which may be substantially less than their full time.

***The time and resources that individuals employed by Terra Income Advisors and its affiliates devote to us may be diverted, and we may face additional competition due to the fact that individuals employed by Terra Income Advisors are not prohibited from raising money for or managing another entity that makes the same types of investments that we target.***

Neither Terra Income Advisors nor individuals employed by it are prohibited from raising money for and managing another investment entity that makes the same types of investments as those we target. Affiliates of Terra Income Advisors who share the same senior management and investment teams also serve as investment advisers or managers for the Terra Property Trust and RESOF. As a result, the time and resources that these individuals may devote to us may be diverted. In addition, we may compete with any such investment entity for the same investors and investment opportunities. We also intend to co-invest with other affiliates of Terra Income Advisors consistent with the conditions of the exemptive order granted to us.

***Our incentive fee may induce Terra Income Advisors to make speculative investments.***

The incentive fee payable by us to Terra Income Advisors may create an incentive for it to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to Terra Income Advisors is determined may encourage it to use leverage to increase the return on our investments. In addition, the fact that our base management fee is payable based upon our gross assets, which would include any borrowings for investment purposes, may encourage Terra Income Advisors to use leverage to make additional investments. Under certain circumstances, the use of leverage may increase the likelihood of default. Such a practice could result in our investing in more speculative securities than would otherwise be in our best interests, which could result in higher investment losses, particularly during cyclical economic downturns.

**Risks Related to Business Development Companies**

***The requirement that we invest a sufficient portion of our assets in qualifying assets could preclude us from investing in accordance with our current business strategy; conversely, the failure to invest a sufficient portion of our assets in qualifying assets could result in our failure to maintain our status as a BDC.***

As a BDC, we may not acquire any assets other than “qualifying assets” unless, at the time of such acquisition, at least 70% of our total assets are qualifying assets. Therefore, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets. Conversely, if we fail to invest a sufficient portion of our assets in qualifying assets, we could lose our status as a BDC, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making additional investments in existing portfolio companies, which could result in the dilution of our position, or could require us to dispose of investments at an inopportune time to comply with the 1940 Act. If we were forced to sell non-qualifying investments in the portfolio for compliance purposes, the proceeds from such sale could be significantly less than the current value of such investments.

***Failure to maintain our status as a BDC would reduce our operating flexibility.***

If we do not remain a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

***Regulations governing our operation as a BDC and a REIT will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth.***

Because we must distribute at least 90% of our REIT net taxable income and meet certain tests regarding the nature of our income and assets in order to maintain our qualification as a REIT, we will be unable to use those funds to make new investments. As a result, we will likely need to continually raise cash or borrow to fund new investments that we would otherwise acquire using the taxable income that we are required to distribute. At times, the sources and terms of funding may not be available to us on acceptable terms, if at all.

We may issue "senior securities," as defined in the 1940 Act, including borrowing money from banks or other financial institutions only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such incurrence or issuance. Our ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit our investment opportunities and reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend. As a BDC, therefore, we intend to issue equity continuously at a rate more frequent than our privately-owned competitors, which may lead to greater stockholder dilution.

We expect to borrow for investment purposes. If the value of our assets declines, we may be unable to satisfy the asset coverage test, which would prohibit us from paying distributions and could prevent us from maintaining our qualification as a REIT. If we cannot satisfy the asset coverage test, we may be required to sell a portion of our investments and, depending on the nature of our debt financing, repay a portion of our indebtedness at a time when such sales may be disadvantageous.

Under the 1940 Act, we generally are prohibited from issuing or selling our common stock at a price per share, after deducting selling commissions, broker-dealer fees, and dealer manager fees, that is below our NAV per share, which may be a disadvantage as compared with other public companies. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current NAV of the common stock if our Board and independent directors determine that such sale is in our best interests and in the best interests of our stockholders, and such sale is approved by a majority of our stockholders, including those stockholders that are not affiliated with us.

***Our ability to enter into transactions with our affiliates is restricted.***

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of a majority of the independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we will generally be prohibited from buying or selling any securities from or to such affiliate, absent the prior approval of our Board. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our Board and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we will be prohibited from buying or selling any security from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. As a result of these restrictions, we may be prohibited from buying or selling any security from or to any portfolio company of a private equity fund managed by Terra Income Advisors without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

The SEC has granted us exemptive relief from the provisions of Sections 17(d) and 57(a)(4) of the 1940 Act, thereby permitting us, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions with our Co-Investment Affiliates. However, we will be prohibited from engaging in certain transactions with our affiliates even under the terms of this exemptive order. We believe the relief granted to us under this exemptive order may not only enhance our ability to further our investment objectives and strategies, but may also increase favorable investment opportunities for us, in part by allowing us to participate in larger investments, together with our Co-Investment Affiliates, than would be available to us in the absence of such relief.

## Risks Related to Our Investments

***A covenant breach by any of our portfolio companies may harm our operating results.***

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

***We may not realize gains from our preferred equity investments.***

The preferred equity investments we make may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our preferred equity investments, and any gains that we do realize on the disposition of any preferred equity investments may not be sufficient to offset any other losses we experience.

***A lack of liquidity in certain of our investments may adversely affect our business.***

We invest in certain real estate and real estate-related companies whose securities are not publicly traded or actively traded on the secondary market and are, instead, traded on a privately negotiated over-the-counter secondary market for institutional investors and whose securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of certain of our investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. The reduced liquidity of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

***We may not have the funds or ability to make additional investments in our portfolio companies.***

We may not have the funds or ability to make additional investments in our portfolio companies. After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected return on the investment.

***Our real estate-related loans may be impacted by unfavorable real estate market conditions, which could decrease the value of our investments.***

The real estate-related loans we make or invest in will be at risk of defaults caused by many conditions beyond our control, including local and other economic conditions affecting real estate values and interest rate levels. We do not know whether the values of the property securing the real estate-related loans will remain at the levels existing on the dates of origination of such loans. If the values of the underlying properties drop, our risk will increase and the value of our investments may decrease.

***Our real estate-related loans will be subject to interest rate fluctuations that could reduce our returns as compared to market interest rates.***

If we invest in fixed-rate, long-term real estate-related loans and interest rates rise, such loans could yield a return lower than then-current market rates. If interest rates decrease, we will be adversely affected to the extent that real estate-related loans are prepaid, because we may not be able to make new loans at the previously higher interest rate. If we invest in floating-rate loans, the income from such loans will increase and decrease directly with the fluctuation in the floating rate.

***Delays in liquidating defaulted mortgage loans could reduce our investment returns.***

If there are defaults under our mortgage loans, we may not be able to repossess and sell the underlying properties quickly. The resulting time delay could reduce the value of our investment in the defaulted mortgage loans. An action to foreclose on a property securing a mortgage loan is regulated by state statutes and rules and is subject to many of the delays and expenses of other lawsuits if the mortgagor raises defenses or counterclaims. In the event of default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to us on the mortgage loan.

***Returns on our real estate-related loans may be limited by regulations.***

Our loan investments may be subject to regulation by federal, state and local authorities and subject to various laws and judicial and administrative decisions. We may determine not to make or invest in real estate-related loans in any jurisdiction in which we believe we have not complied in all material respects with applicable requirements. If we decide not to make or invest in real estate-related loans in several jurisdictions, it could reduce the amount of income we would otherwise receive.

***Foreclosures create additional ownership risks that could adversely impact our returns on mortgage investments.***

If we acquire property by foreclosure following defaults under our mortgage loans, we will have the same economic and liability risks as the previous owner.

***The mezzanine loans in which we may invest would involve greater risks of loss than senior loans secured by income-producing real properties.***

We may invest in mezzanine loans that take the form of subordinated loans secured by second mortgages on the underlying real property or loans secured by a pledge of the ownership interests of the entity owning the real property. These types of investments involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our investment. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the real property and increasing the risk of loss of principal.

***Our commercial real estate-related loans, commercial real estate-related debt securities and select commercial real estate equity investments will be subject to the risks typically associated with real estate.***

Our commercial real estate-related loans, commercial real estate-related debt securities and select commercial real estate equity will generally be directly or indirectly secured by a lien on real property (or the equity interests in an entity that owns real property) that, upon the occurrence of a default on the loan, could result in our acquiring ownership of the property. We will not know whether the values of the properties ultimately securing our loans will remain at the levels existing on the dates of origination of those loans. If the values of the mortgaged properties drop, our risk will increase because of the lower value of the security associated with such loans. In this manner, real estate values could impact the values of our loan investments. Our investments in commercial real estate-related loans, commercial real estate-related debt securities and select commercial real estate equity investments (including potential investments in real property) may be similarly affected by real estate property values. Therefore, our investments will be subject to the risks typically associated with real estate.

The value of real estate may be adversely affected by a number of risks, including:

- the ongoing COVID-19 pandemic;
- natural disasters such as hurricanes, earthquakes and floods;
- acts of war or terrorism, including the consequences of terrorist attacks;
- adverse changes in national and local economic and real estate conditions;
- an oversupply of (or a reduction in demand for) space in the areas where particular properties are located and the attractiveness of particular properties to prospective tenants;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance therewith and the potential for liability under applicable laws;
- costs of remediation and liabilities associated with environmental conditions affecting properties; and
- the potential for uninsured or underinsured property losses.

The value of each property is affected significantly by its ability to generate cash flow and net income, which in turn depends on the amount of rental or other income that can be generated net of expenses required to be incurred with respect to the property. Many expenditures associated with properties (such as operating expenses and capital expenditures) cannot be reduced when there is a reduction in income from the properties. These factors may have a material adverse effect on the ability of our borrowers to pay their loans, as well as on the value that we can realize from assets we originate, own or acquire.

***The B-Notes in which we may invest may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to us.***

We may invest in B-notes. A B-note is a mortgage loan typically (i) secured by a first mortgage on a single large commercial property or group of related properties and (ii) subordinated to an A-Note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-note holders after payment to the A-Note holders. Since each transaction is privately negotiated, B-notes can vary in their structural characteristics and risks. For example, the rights of holders of B-notes to control the process following a borrower default may be limited in certain investments. We cannot predict the terms of each B-note investment. Further, B-notes typically are secured by a single property, and so reflect the increased risks associated with a single property compared to a pool of properties.

***Risks of cost overruns and non-completion of the construction or renovation of the properties underlying loans we make or acquire may materially adversely affect our investment.***

The renovation, refurbishment or expansion by a borrower under a mortgaged or leveraged property involves risks of cost overruns and non-completion. Costs of construction or improvements to bring a property up to standards established for the market position intended for that property may exceed original estimates, possibly making a project uneconomical. Other risks may include environmental risks and construction, rehabilitation and subsequent leasing of the property not being completed on schedule. If such construction or renovation is not completed in a timely manner, or if it costs more than expected, the borrower may experience a prolonged impairment of net operating income and may not be able to make payments on our investment.

***Our investments in commercial real estate-related loans are subject to changes in credit spreads.***

Our investments in commercial real estate-related loans are subject to changes in credit spreads. When credit spreads widen, the economic value of such investments decrease. Even though a loan may be performing in accordance with its loan agreement and the underlying collateral has not changed, the economic value of the loan may be negatively impacted by the incremental interest foregone from the widened credit spread.

***Investments in non-conforming or non-investment grade rated loans or securities involve greater risk of loss.***

Some of our investments may not conform to conventional loan standards applied by traditional lenders and either will not be rated or will be rated as non-investment grade by the rating agencies. In addition, we may invest in securities that are rated below investment grade by rating agencies or that would be likely rated below investment grade if they were rated. Below investment grade securities, which are often referred to as “junk,” have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. They may also be difficult to value and illiquid. The non-investment grade ratings for these assets typically result from the overall leverage of the loans, the lack of a strong operating history for the properties underlying the loans, the borrowers’ credit history, the properties’ underlying cash flow or other factors. As a result, these investments may have a higher risk of default and loss than investment grade-rated assets. Any loss we incur may be significant and may reduce cash available for distribution to our stockholders and to make principal and interest payments on the notes and adversely affect the value of our securities.

***Investments that are not U.S. government insured involve risk of loss.***

We may originate and acquire uninsured loans and assets as part of our investment strategy. Such loans and assets may include mortgage loans, mezzanine loans and bridge loans. While holding such interests, we are subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of any default under loans, we bear the risk of loss of principal and nonpayment of interest and fees to the extent of any deficiency between the value of the collateral and the principal amount of the loan. To the extent we suffer such losses with respect to our investments in such loans, our value and the value of our securities may be adversely affected.

***The mortgage-backed securities in which we may invest are subject to the risks of the mortgage securities market as a whole and risks of the securitization process.***

The value of mortgage-backed securities may change due to shifts in the market’s perception of issuers and regulatory or tax changes adversely affecting the mortgage securities market as a whole. Mortgage-backed securities are also subject to several risks created through the securitization process. Subordinate mortgage-backed securities are paid interest only to the extent that there are funds available to make payments. To the extent the collateral pool includes delinquent loans, there is a risk that the interest payment on subordinate mortgage-backed securities will not be fully paid. Subordinate mortgage-backed securities are also subject to greater credit risk than those mortgage-backed securities that are more highly rated.

***We may invest in CMBS, including subordinate securities, which entail certain risks.***

CMBS are generally securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a commercial or multi-family use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, apartment buildings, nursing homes and senior living centers, and may include, without limitation, CMBS conduit securities, CMBS credit tenant lease securities and CMBS large loan securities. We may invest in a variety of CMBS, including CMBS which are subject to the first risk of loss if any losses are realized on the underlying mortgage loans. CMBS entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of commercial or multi-family mortgage loans. Consequently, CMBS will be affected by payments, defaults, delinquencies and losses on the underlying commercial real estate-related loans, which began to increase significantly toward the end of 2008 and are expected to continue to increase. Furthermore, a weakening rental market generally, including reduced occupancy rates and reduced market rental rates, could reduce cash flow from the loan pools underlying our CMBS investments.

***We may invest in CDOs and such investments may involve significant risks.***

We may invest in CDOs. CDOs are multiple class debt securities, or bonds, secured by pools of assets, such as mortgage-backed securities, B-notes, mezzanine loans and credit default swaps. Like typical securities structures, in a CDO, the assets are pledged to a trustee for the benefit of the holders of the bonds. Like CMBS, CDOs are affected by payments, defaults, delinquencies and losses on the underlying commercial real estate-related loans. CDOs often have reinvestment periods that typically last for five years during which proceeds from the sale of a collateral asset may be invested in substitute collateral. Upon termination of the reinvestment period, the static pool functions very similarly to a CMBS securitization where repayment of principal allows for redemption of bonds sequentially.

***We have no established investment criteria limiting the geographic concentration of our investments in commercial real estate-related loans, commercial real estate-related debt securities and select commercial real estate equity investments. If our investments are concentrated in an area that experiences adverse economic conditions, our investments may lose value and we may experience losses.***

Certain commercial real estate-related loans, commercial real estate-related debt securities and select commercial real estate equity investments in which we invest may be secured by a single property or properties in one geographic location. Further, we intend that our secured investments will be collateralized by properties located solely in the United States. These investments may carry the risks associated with significant geographical concentration. As a result, properties underlying our investments may be overly concentrated in certain geographic areas, and we may experience losses as a result. A worsening of economic conditions in the geographic area in which our investments may be concentrated could have an adverse effect on our business, including reducing the demand for new financings, limiting the ability of customers to pay financed amounts and impairing the value of our collateral.

***We may invest in adjustable rate mortgage loans, which may entail greater risks of default to lenders than fixed rate mortgage loans.***

Adjustable rate mortgage loans may contribute to higher delinquency rates. Borrowers with adjustable rate mortgage loans may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward from the initial fixed rate or a low introductory rate, as applicable, in effect during the initial period of the mortgage loan to the rate computed in accordance with the applicable index and margin. This increase in borrowers’ monthly payments, together with any increase in prevailing market interest rates, after the initial fixed rate period, may result in significantly increased monthly payments for borrowers with adjustable rate mortgage loans, which may make it more difficult for the borrowers to repay the loan or could increase the risk of default of their obligations under the loan.

***Prepayments can adversely affect the yields on our investments.***

Prepayments on debt instruments, where permitted under the debt documents, are influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond our control, and consequently, such prepayment rates cannot be predicted with certainty. If we are unable to invest the proceeds of such prepayments received or are forced to invest at yields lower than those on the debt instrument that was prepaid, the yield on our portfolio will decline. In addition, we may acquire assets at a discount or premium and if the asset does not repay when expected, our anticipated yield may be impacted. Under certain interest rate and prepayment scenarios we may fail to recoup fully our cost of acquisition of certain investments.

***Hedging against interest rate exposure may adversely affect our earnings, limit our gains or result in losses, which could adversely affect cash available for distribution to our stockholders and principal and interest payments on the notes.***

We may enter into interest rate swap agreements or pursue other interest rate hedging strategies. Our hedging activity will vary in scope based on the level of interest rates, the type of portfolio investments held and other changing market conditions.

Any hedging activity we engage in may adversely affect our earnings, which could adversely affect cash available for distribution to our stockholders and principal and interest payments on the notes. Therefore, while we may enter into such transactions to seek to reduce interest rate risks, unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

***Hedging instruments often are not traded on regulated exchanges or guaranteed by an exchange or its clearing house and involve risks and costs.***

The cost of using hedging instruments increases as the period covered by the instrument increases and during periods of rising and volatile interest rates. We may increase our hedging activity and thus increase our hedging costs during periods when interest rates are volatile or rising and hedging costs have increased. In addition, hedging instruments involve risk since they often are not traded on regulated exchanges or guaranteed by an exchange or its clearing house. Furthermore, the enforceability of agreements underlying derivative transactions may depend on compliance with applicable statutory, commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements.

Furthermore, derivative transactions are subject to increasing statutory and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Recently, new regulations have been promulgated by U.S. and foreign regulators attempting to strengthen oversight of derivative contracts. Any actions taken by regulators could constrain our strategy and could increase our costs, either of which could materially and adversely impact our operations.

The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our resale commitments, if any, at the then current market price. It may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty, and we may not be able to enter into an offsetting contract in order to cover our risk. We cannot assure investors that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in losses.

***Our investments in debt securities and preferred equity securities will be subject to the specific risks relating to the particular issuer of the securities and may involve greater risk of loss than secured debt financings.***

Our investments in debt securities and preferred and common equity securities involve special risks relating to the particular issuer of the securities, including the financial condition and business outlook of the issuer. Real estate company issuers are subject to the inherent risks associated with real estate and real estate-related investments discussed in this Annual Report on Form 10-K. Issuers that are debt finance companies are subject to the inherent risks associated with structured financing investments also discussed in this Annual Report on Form 10-K. Furthermore, debt securities and preferred and common equity securities may involve greater risk of loss than secured debt financings due to a variety of factors, including that such investments are generally unsecured and may also be subordinated to other obligations of the issuer. As a result, investments in debt securities and preferred and common equity securities are subject to risks of (i) limited liquidity in the secondary trading market, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) subordination to the prior claims of banks and other senior lenders to the issuer, (iv) the operation of mandatory sinking fund or call or redemption provisions during periods of declining interest rates that could cause the issuer to reinvest redemption proceeds in lower yielding assets, (v) the possibility that earnings of the issuer may be insufficient to meet its debt service and distribution obligations and (vi) the declining creditworthiness and potential for insolvency of the issuer during periods of rising interest rates and economic downturn. These risks may adversely affect the value of outstanding debt securities and preferred and common equity securities and the ability of the issuers thereof to make principal, interest and distribution payments to us.

***Declines in the market values of our investments may adversely affect periodic reported results of operations and credit availability, which may reduce our earnings and, in turn, cash available for distribution to our stockholders and principal and interest payments on the notes.***

A decline in the market value of our assets will reduce our earnings in the period recognized and may adversely affect us particularly in instances where we have borrowed money based on the market value of those assets. If the market value of those assets declines, the lender may require us to post additional collateral to support the loan. If we were unable to post the additional collateral, we may have to sell assets at a time when we might not otherwise choose to do so. A reduction in credit available may reduce our earnings and, in turn, cash available for distribution to stockholders and principal and interest payments on the notes.

Further, credit facility providers may require us to maintain a certain amount of cash reserves or to set aside unlevered assets sufficient to maintain a specified liquidity position, which would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as we would choose, which could reduce our return on equity. In the event that we are unable to meet these contractual obligations, our financial condition could deteriorate rapidly.

Market values of our investments may decline for a number of reasons, such as changes in prevailing market rates, increases in defaults, increases in voluntary prepayments for those investments that we have that are subject to prepayment risk, widening of credit spreads and downgrades of ratings of the securities by ratings agencies.

***With respect to mortgaged properties, options and other purchase rights may affect value or hinder recovery.***

A borrower under certain mortgage loans may give its tenants or another person a right of first refusal or an option to purchase all or a portion of the related mortgaged property. These rights may impede the lender’s ability to sell the related mortgaged property at foreclosure or may adversely affect the value or marketability of the property.

***If we overestimate the value or income-producing ability or incorrectly price the risks of our investments, we may experience losses.***

Analysis of the value or income-producing ability of a commercial property is highly subjective and may be subject to error. We value our potential investments based on yields and risks, taking into account estimated future losses on the commercial real estate-related loans and the mortgaged property included in the securitization’s pools or select commercial real estate equity investments, and the estimated impact of these losses on expected future cash flows and returns. In the event that we underestimate the risks relative to the price we pay for a particular investment, we may experience losses with respect to such investment.

***The leases on the properties underlying our investments may not be renewed on favorable terms.***

The properties underlying our investments could be negatively impacted by deteriorating economic conditions and weaker rental markets. Upon expiration or earlier termination of leases on these properties, the space may not be relet or, if relet, the terms of the renewal or reletting (including the cost of required renovations or concessions to tenants) may be less favorable than current lease terms. In addition, poor economic conditions may reduce a tenant’s ability to make rent payments under their leases. Any of these situations may result in extended periods where there is a significant decline in revenues or no revenues generated by these properties. Additionally, if market rental rates are reduced, property-level cash flows would likely be negatively affected as existing leases renew at lower rates. If the leases for these properties cannot be renewed for all or substantially all of the space at these properties, or if the rental rates upon such renewal or reletting are significantly lower than expected, the value of our investments may be adversely affected.

***A borrower’s form of entity may cause special risks or hinder our recovery.***

Since most of the borrowers for our commercial real estate loan investments are legal entities rather than individuals, our risk of loss may be greater than those of mortgage loans made to individuals. Unlike individuals involved in bankruptcies, most of the entities generally do not have personal assets and creditworthiness at stake. The terms of the mortgage loans generally require that the borrowers covenant to be single-purpose entities, although in some instances the borrowers are not required to observe all covenants and conditions that typically are required in order for them to be viewed under standard rating agency criteria as “single-purpose entities.”

The bankruptcy of a borrower, or a general partner or managing member of a borrower, may impair the ability of the lender to enforce its rights and remedies under the related mortgage. Borrowers that are not single-purpose entities structured to limit the possibility of becoming insolvent or bankrupt may be more likely to become insolvent or the subject of a voluntary or involuntary bankruptcy proceeding because the borrowers may be (i) operating entities with a business distinct from the operation of the mortgaged property with the associated liabilities and risks of operating an ongoing business or (ii) individuals that have personal liabilities unrelated to the property.

***We may be exposed to environmental liabilities with respect to properties to which we take title.***

In the course of our business, we may take title to real estate, and, if we do take title, we could be subject to environmental liabilities with respect to these properties. In such a circumstance, we may be held liable to a governmental entity or to third parties for property damage, personal injury, and investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases, at a property. The costs associated with investigation or remediation activities could be substantial. If we ever become subject to significant environmental liabilities, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

**Risks Related to Debt Financing**

***Since we borrow money, the potential for gain or loss on amounts invested in us will be magnified and may increase the risk of investing in us.***

The use of borrowings, also known as leverage, increases the volatility of investments by magnifying the potential for gain or loss on invested equity capital. We use leverage to partially finance our investments, through borrowing from banks and other lenders, investors will experience increased risks of investing in our securities. If the value of our assets increases, leverage would cause the NAV attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leverage would cause NAV to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make distributions to stockholders and principal and interest payments on our indebtedness. Leverage is generally considered a speculative investment technique. In addition, the decision to utilize leverage will increase our assets and, as a result, will increase the amount of management fees payable to Terra Income Advisors.

As a BDC, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we cannot incur additional debt, declare any dividends, make any distributions or repurchase any stock, and could be required to sell a portion of our investments to repay some debt when it is disadvantageous to do so. This could have a material adverse effect on our operations and may cause us to be unable to make distributions. The amount of leverage that we employ will depend on Terra Income Advisors's and our Board's assessment of market and other factors at the time of any proposed borrowing.

On March 23, 2018, the U.S. Congress approved the Small Business Credit Availability Act which reduces the asset coverage ratio from 200% to 150% subject to the approval of stockholders or the board of directors. As of the date of this Annual Report on Form 10-K, we have not obtained approval for the reduction in the asset coverage ratio from our stockholders or our Board. If we did obtain approval in the future, we would therefore be permitted to incur leverage beyond the current limitations of the 1940 Act, which would further increase the risks of loss in the event of a decline in the value of our assets. This legislation would also increase the risks of an investment in our securities.

***Changes in interest rates may affect our cost of capital and net investment income.***

We use debt to finance investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates when we have debt outstanding, our cost of funds will increase, which could reduce our net investment income. We expect that any long-term fixed rate investments we acquire will be financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. Also, we have limited experience in entering into hedging transactions, and we will initially have to purchase or develop such expertise.

A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase of the amount of incentive fees payable to Terra Income Advisors with respect to pre-incentive fee net investment income.

**Risks Related to our REIT Status and Certain Other Tax Items**

***If we do not qualify as a REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability.***

We elected to operate so as to qualify as a REIT under the Code beginning with our short taxable year beginning October 1, 2018 and ending December 31, 2018. However, qualification as a REIT involves the application of highly technical and complex Code provisions for which only a limited number of judicial or administrative interpretations exist. Notwithstanding the availability of cure provisions in the Code, various compliance requirements could be failed and could jeopardize our REIT status. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to maintain our qualification as a REIT. If we fail to qualify as a REIT in any tax year, then:

- we would be taxed as a regular domestic corporation, ineligible to deduct dividends paid to our stockholders in computing taxable income and would be subject to federal income tax on our taxable income at regular corporate income tax rates;
- any resulting tax liability could be substantial and could have a material adverse effect on our value and distribution to shareholders; and
- we generally would not be eligible to requalify as a REIT for the subsequent four full taxable years.

***We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the value of our securities.***

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in our securities. The 2017 tax reform legislation commonly referred to as the Tax Cuts and Jobs Act resulted in fundamental changes to the Code, with many of the changes applicable to individuals applying only through December 31, 2025. Among the numerous changes included in the Tax Cuts and Jobs Act is a deduction of 20% of ordinary REIT dividends for individual taxpayers for taxable years through 2025.

Although REITs generally receive certain tax advantages compared to entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a corporation. As a result, our charter authorizes our Board to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that changes to U.S. federal income tax laws and regulations or other considerations mean it is no longer in our best interests to qualify as a REIT.

We cannot assure investors that future law changes will not adversely affect the taxation of our security holders. Any such changes could have an adverse effect on an investment in our securities or on the market value or the resale potential of our assets.

***The preferred equity investments we intend to make may make us unable to maintain our qualification as a REIT under the Code.***

Part of our investment strategy involves investments in preferred limited liability company membership interests or partnership interests that own commercial real estate. There is no specific guidance addressing the treatment of preferred equity investments as debt or equity for federal income tax purposes. We hold preferred equity investments and treat them as loans secured by real property for U.S. federal income tax purposes, which are qualifying assets for purposes of the REIT asset tests and produce qualifying income for purposes of the REIT gross income tests. If our preferred equity investments are treated as partnership interests for U.S. federal income tax purposes, rather than as loans, we will be treated as owning our share of the assets held by the limited liability company or partnership that issued the preferred equity interest and we will be treated as receiving our proportionate share of the income of that entity. If that limited liability company or partnership owns nonqualifying assets or earns nonqualifying income, we may not be able to satisfy all of the REIT gross income and asset tests. Even if the Internal Revenue Services (the "IRS") were to respect our preferred equity investments as loans, if the IRS did not treat such loans as secured by a mortgage on real property (which, in form, is not the case), such loans would not be qualifying assets for purposes of the 75% asset test and would violate the 10% value asset test, and interest thereon would not be qualifying income for purposes of the 75% gross income test. If we are unable to maintain our qualification as a REIT for U.S.

federal income tax purposes, we will be subject to corporate-level income tax, and investors' investment in us would be adversely impacted.

***To maintain our REIT status, we may have to borrow funds on a short-term basis during unfavorable market conditions.***

To qualify as a REIT, we generally must distribute annually to our stockholders a minimum of 90% of our net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. We will be subject to regular corporate income taxes on any undistributed REIT taxable income each year. Additionally, we will be subject to a 4% nondeductible excise tax on any amount by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from previous years. Payments we make to our stockholders under our share repurchase plan will not be taken into account for purposes of these distribution requirements. If we do not have sufficient cash to make distributions necessary to preserve our REIT status for any year or to avoid taxation, we may be forced to borrow funds or sell assets even if the market conditions at that time are not favorable for these borrowings or sales. These options could increase our costs or reduce our equity.

***Compliance with REIT requirements may cause us to forego otherwise attractive opportunities, which may hinder or delay our ability to meet our investment objectives.***

To qualify as a REIT, we are required at all times to satisfy tests relating to, among other things, the sources of our income, the nature and diversification of our assets, the ownership of our stock and the amounts we distribute to our stockholders. Compliance with the REIT requirements may impair our ability to operate solely on the basis of maximizing profits. For example, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution.

***Compliance with REIT requirements may force us to liquidate or restructure otherwise attractive investments.***

To qualify as a REIT, at the end of each calendar quarter, at least 75% of the value of our assets must consist of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities (other than qualified real estate assets and government securities) generally cannot include more than 10% of the voting securities of any one issuer or more than 10% of the value of the outstanding securities of more than any one issuer (other than securities that qualify for a safe harbor for "straight debt") unless we and such issuer jointly elect for such issuer to be treated as a "taxable REIT subsidiary" ("TRS") under the Code. Debt will generally meet the "straight debt" safe harbor if the debt is a written unconditional promise to pay on demand or on a specified date a certain sum of money, the debt is not convertible, directly or indirectly, into stock, and the interest rate and the interest payment dates of the debt are not contingent on the profits, the borrower's discretion, or similar factors. Additionally, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, no more than 20% of the value of our assets may be represented by securities of one or more TRSs and no more than 25% of the value of our assets may consist of "nonqualified publicly offered REIT debt investments." If we fail to comply with these requirements at the end of any calendar quarter, we must dispose of a portion of our assets within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions in order to avoid losing our REIT qualification and suffering adverse tax consequences. In order to satisfy these requirements and maintain our qualification as a REIT, we may be forced to liquidate assets from our portfolio or not make otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders and principal and interest payments on the notes.

***Our charter does not contain restrictions generally found in REIT charters regarding our organization and operation as a REIT, including restrictions on the ownership and transfer of our stock that are intended to assist with satisfying the share ownership requirements for REIT qualification, and we cannot ensure that transfers will not occur that would cause us to no longer satisfy the share ownership requirements.***

In order to qualify as a REIT under the Code, not more than 50% of the value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (including certain entities treated as individuals for this purpose) during the last half of a taxable year. The constructive ownership rules under the Code are complex and may cause shares of the outstanding stock owned by a group of related persons to be deemed to be constructively owned by one person. Our charter does not contain restrictions generally found in REIT charters regarding the ownership and transfer of our stock that are intended to assist with satisfying the share ownership requirements. We currently satisfy the share ownership requirements; however, it is possible that transfers of our outstanding stock could cause us to no longer satisfy the share ownership requirements.

***Modification of the terms of our commercial real estate debt investments in conjunction with reductions in the value of the real property securing such loans could cause us to fail to continue to qualify as a REIT.***

Our commercial real estate debt and securities investments may be materially affected by a weak real estate market and economy in general. As a result, many of the terms of our commercial real estate debt may be modified to avoid taking title to a property. Under Treasury Regulations, if the terms of a loan are modified in a manner constituting a "significant modification," such modification triggers a deemed exchange of the original loan for the modified loan. In general, if a loan is secured by real property and other property, the value of the personal property securing the loan exceeds 15% of the value of all property securing the loan and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value ("FMV") of the real property securing the loan determined as of the date we agreed to acquire the loan or the date we significantly modified the loan, a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test although it may nevertheless be qualifying income for purposes of the 95% gross income test. A portion of the loan may also be a non-qualifying asset for purposes of the 75% asset test. The non-qualifying portion of such a loan would be subject to, among other requirements, the requirement that a REIT not hold securities representing more than 10% of the total value of the outstanding securities of any one issuer, or the 10% value test.

IRS Revenue Procedure 2014-51 provides a safe harbor pursuant to which we will not be required to redetermine the FMV of the real property securing a loan for purposes of the gross income and asset tests discussed above in connection with a loan modification that is: (i) occasioned by a borrower default; or (ii) made at a time when we reasonably believe that the modification to the loan will substantially reduce a significant risk of default on the original loan. No assurance can be provided that all of our loan modifications will qualify for the safe harbor in Revenue Procedure 2014-51. To the extent we significantly modify loans in a manner that does not qualify for that safe harbor, we will be required to redetermine the value of the real property securing the loan at the time it was significantly modified. In determining the value of the real property securing such a loan, we generally will not obtain third-party appraisals, but rather will rely on internal valuations. No assurance can be provided that the IRS will not successfully challenge our internal valuations. If the terms of our debt investments are "significantly modified" in a manner that does not qualify for the safe harbor in Revenue Procedure 2014-51 and the FMV of the real property securing such loans has decreased significantly, we could fail the 75% gross income test, the 75% asset test, the 5% asset test and/or the 10% value test. Unless we qualified for relief under certain Code cure provisions, such failures could cause us to fail to continue to qualify as a REIT.

***Our acquisition of debt or securities investments may cause us to recognize income for federal income tax purposes even though no cash payments were received on the investments.***

We may acquire debt or securities investments in the secondary market for less than their face amount. The amount of such discount will generally be treated as a "market discount" for federal income tax purposes. If these debt or securities investments provide for "payment-in-kind" interest, we may recognize "original issue discount" ("OID") for federal income tax purposes. Moreover, we may acquire distressed debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt constitute "significant modifications" under the applicable Treasury Regulations, the modified debt may be considered to have been reissued to us in a debt-for-debt exchange with the borrower. In that event, if the debt is considered to be "publicly traded" for federal income tax purposes, the modified debt in our hands may be considered to have been issued with OID to the extent the FMV of the modified debt is less than the principal amount of the outstanding debt. In the event the debt is not considered to be "publicly traded" for federal income tax purposes, we may be required to recognize taxable income to the extent that the principal amount of the modified debt exceeds our cost of purchasing it. Also, certain loans that we originate and later modify and certain previously modified debt we acquire in the secondary market may be considered to have been issued with the OID at the time it was modified.

In general, we will be required to accrue OID on a debt instrument as taxable income in accordance with applicable federal income tax rules even though no cash payments may be received on such debt instrument on a current basis.

In the event a borrower with respect to a particular debt instrument encounters financial difficulty rendering it unable to pay stated interest as due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income. Similarly, we may be required to accrue interest income with respect to subordinate mortgage-backed securities at the stated rate regardless of when their corresponding cash payments are received.

In order to meet the REIT distribution requirements, it might be necessary for us to arrange for short-term or possibly long-term borrowings, or to pay distributions in the form of our shares or other taxable in-kind distributions of property. We may need to borrow funds at times when the market conditions are unfavorable. Such borrowings could increase our costs and reduce our value.

***Complying with REIT requirements may limit our ability to hedge effectively.***

The REIT provisions of the Code may limit our ability to hedge our operations effectively. Our aggregate gross income from non-qualifying hedges, fees and certain other non-qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. Any hedging income earned by a TRS would be subject to federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with interest rate or other changes than we would otherwise incur.

***The failure of a mezzanine loan to qualify as a real estate asset could adversely affect our ability to qualify as a REIT.***

We own mezzanine loans, for which the IRS has provided a safe harbor but not rules of substantive law addressing whether such loans will be treated as real estate assets. Pursuant to the safe harbor, if a mezzanine loan meets certain requirements, it will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% income test. Our mezzanine loans may not meet all of the requirements of this safe harbor. In the event we own a mezzanine loan that does not meet the safe harbor, the IRS could challenge such loan's treatment as a real estate asset for purposes of the REIT asset and gross income tests and, if such a challenge were sustained, we could fail to qualify as a REIT.

***There may be tax consequences to any modifications to our borrowings, our hedging transactions and other contracts to replace references to LIBOR.***

We are party to financial instruments indexed to USD-LIBOR. We may have to renegotiate such LIBOR-based instruments to replace references to LIBOR. Under current law, certain modifications of terms of LIBOR-based instruments may have tax consequences, including deemed taxable exchanges of the pre-modification instrument for the modified instrument. Recently finalized Treasury Regulations, which will be effective March 7, 2022, will treat certain modifications that would be taxable events under current law as non-taxable events. The Treasury Regulations also will permit real estate mortgage investment conduits ("REMICs") to make certain modifications without losing REMIC qualification. The Treasury Regulations do not discuss REIT-specific issues of modifications to LIBOR-based instruments. The IRS has also issued Revenue Procedure 2020-44, which provides additional guidance to facilitate the market's transition from LIBOR rates. This guidance clarifies the treatment of certain debt instruments modified to replace LIBOR- based terms. We will attempt to migrate to a post-LIBOR environment without jeopardizing our REIT qualification or suffering other adverse tax consequences but can give no assurances that we will succeed.

**General Risk Factors**

***The effects of the ongoing COVID-19 pandemic, as well as any future pandemics or similar events, and the actions taken in response thereto, may adversely affect our investments and operations.***

In December 2019, a COVID-19 outbreak was reported in China, and, in March 2020, the World Health Organization declared it a global pandemic. The ongoing COVID-19 pandemic has severely disrupted global economic activity and financial markets, which could worsen. The global impact of the outbreak has continued to rapidly evolve and many countries, including the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the novel coronavirus. Nevertheless, the COVID-19 pandemic presents material uncertainty and risk with respect to our performance and financial results.

As a result of a significant portion of our investments being in preferred equity of entities that own, mezzanine loans, first mortgages, or credit facilities secured by, office, multifamily, infrastructure and mixed-use properties located in the United States, the ongoing COVID-19 pandemic will impact our investments and operating results to the extent that it reduces occupancy, increases the cost of operation or results in limited hours or necessitates the closure of such properties. The borrowers under the mezzanine loans, first mortgages, credit facilities or preferred equity in which we invest may fail to make timely and required payments under the terms of such instruments. In addition, quarantines, states of emergencies and other measures taken to curb the spread of the COVID-19 pandemic may negatively impact the ability of such properties to continue to obtain necessary goods and services or provide adequate staffing, which may also adversely affect our investments and operating results.

The world-wide economic downturn resulting from the coronavirus pandemic could negatively impact our investments and operations, as well as our ability to make distributions to our stockholders and principal and interest payments on the notes. The extent to which the COVID-19 pandemic impacts our investments and operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the future rate of occurrence or mutation of COVID-19, continuation of or changes in governmental responses to the ongoing COVID-19 pandemic, and the effectiveness of responsive actions taken in the United States and other countries to contain and manage the disease. Although the U.S. Food and Drug Administration has approved certain therapies and three vaccines for emergency use and distribution to certain groups of individuals as of the date of this report, the rollout of vaccine distribution has encountered significant delays, and there remain uncertainties as to the amount of vaccine available for distribution, the logistics of implementing a national vaccine program, and the overall efficacy of the vaccines once widely administered, especially as new strains of COVID-19 have been discovered. In addition, the level of resistance that new strains of COVID-19 have to the existing vaccines, if any, and the overall percentage of the population able and willing to receive the vaccination, remains unknown. Until such therapies and vaccines are widely available and effective, the pandemic and public and private responses to the pandemic may lead to deterioration of economic conditions, an economic downturn or a recession at a global scale, which could materially affect our performance, financial condition, results of operations and cash flows. Any other pandemics or similar events in the future could also similarly have a material adverse effect on our investments and operations, as well as our ability to make distributions to our stockholders and principal and interest payments on the notes.

***Future recessions, downturns, disruptions or instability could have a materially adverse effect on our business.***

From time to time, the global capital markets may experience periods of disruption and instability, which could cause disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of U.S. and foreign governments, these events could contribute to worsening general economic conditions that materially and adversely impact the broader financial and credit markets and reduce the availability of debt and equity capital for the market as a whole and financial services firms in particular.

Deterioration of economic and market conditions in the future could negatively impact credit spreads as well as our ability to obtain financing, particularly from the debt markets.

***Concerns over U.S. fiscal policy could have a material adverse effect on our business, financial condition and results of operations.***

In prior years, financial markets were affected by significant uncertainty relating to the stability of U.S. fiscal and budgetary policy. Any continuing uncertainty, together with the continuing U.S. debt and budget deficit concerns, could contribute to a U.S. economic slowdown. The impact of U.S. fiscal uncertainty is inherently unpredictable and could adversely affect U.S. and global financial markets and economic conditions. These developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

***Changes in laws or regulations governing our operations or the operations of our business partners may adversely affect our business or cause us to alter our business strategy.***

We and our portfolio companies are subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. Changes in laws or regulations governing the operations of those with whom we do business, including selected broker-dealers selling our shares, could also have a material adverse effect on our business, financial condition and results of operations.

In addition, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy to avail ourselves of new or different opportunities. Such changes could result in material differences to our strategies and plans as set forth in this Annual Report on Form 10-K and may result in our investment focus shifting from the areas of expertise of Terra Income Advisors to other types of investments in which Terra Income Advisors may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and our value.

***As a public company, we are subject to regulations not applicable to private companies, such as provisions of the Sarbanes-Oxley Act. Efforts to comply with such regulations involves significant expenditures, and non-compliance with such regulations may adversely affect us.***

As a public company, we are subject to regulations not applicable to private companies, including provisions of the Sarbanes-Oxley Act and the related rules and regulations promulgated by the SEC. Our management is required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and rules and regulations of the SEC thereunder. We are required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis, to evaluate and disclose changes in our internal control over financial reporting. This process diverts management's time and attention. We cannot be certain as to the impact of our evaluation, testing and remediation actions on our operations, and we may not be able to ensure that the process is effective or that our internal control over financial reporting is or will be effective in a timely manner. In the event that we are unable to maintain an effective system of internal controls and maintain or achieve compliance with the Sarbanes-Oxley Act and related rules, we may be adversely affected.

### Item 1B. Unresolved Staff Comments.

None.

### Item 2. Properties.

Our administrative and principal executive offices are located at 550 Fifth Avenue, 6th Floor, New York, New York 10036. We believe that our office facilities are suitable and adequate for our business as it is presently conducted.

### Item 3. Legal Proceedings.

Neither we nor Terra Income Advisors is currently subject to any material legal proceedings, nor, to our knowledge, are material legal proceedings threatened against us or Terra Income Advisors. From time to time, we and individuals employed by Terra Income Advisors may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

### Item 4. Mine Safety Disclosures.

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

There is currently no market for our common stock, and we do not expect that a market for our shares will develop in the foreseeable future. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally will not be personally liable for our debts or obligations.

Set forth below is a chart describing the classes of our securities outstanding as of December 31, 2021:

| (1) Title of Class | (2) Amount Authorized | (3) Amount Held by Us or for Our Account | (4) Amount Outstanding Exclusive of Amount Under Column (3) |
|---|---|---|---|
| Common Stock | 450,000,000 | — | 8,078,627 |

Since commencing operations, and through the end of the public offering of our comment stock (the "Offering") on April 20, 2018, we had issued 8,878,606 shares of common stock for gross proceeds of $103.6 million, excluding shares pursuant to our distribution reinvestment plan ("DRIP"). As of December 31, 2021, we had 2,106 record holders of our common stock.

#### Issuer Purchases of Equity Securities

We implemented a share repurchase program whereby every quarter we offer to repurchase up to 2.5% of the weighed-average number of shares outstanding in the prior calendar year at a price per share equal to the most recently disclosed NAV per share of our common stock immediately prior to the date of repurchase. The purpose of the share repurchase program is to provide stockholders with liquidity, because there is otherwise no public market for our common stock. In addition, the Board may amend, suspend or terminate the share repurchase program upon 30 days' notice. On March 25, 2020, the Board unanimously approved the suspension of the operation of the share repurchase program, effective as of April 30, 2020. On May 11, 2021, the Board unanimously approved the resumption of the share repurchase program effective as of June 30, 2021.

The following table provides information with respect to our repurchases of shares of our common stock pursuant to our share repurchase program for the three months ended December 31, 2021:

| Period | Total Number of Shares Repurchased | Average Price Paid per Share | | Maximum Number of Shares Allowed to be Repurchased |
|---|---|---|---|---|
| **Three Months Ended December 31, 2021** | | | | |
| October 1 to October 31, 2021 | — | $ | — | — |
| November 1 to November 30, 2021 | — | | — | — |
| December 1 to December 31, 2021 (1)(2) | 208,904 | | 9.00 | 207,656 |
| | 208,904 | $ | 9.00 | 207,656 |

(1) A total of 653,098 shares were validly tendered and not withdrawn, an amount that exceeded the maximum number of shares we offered to purchase. In accordance with the terms of the tender offer, we purchased a total of 207,652 shares validly tendered and not withdrawn on a pro rata basis. Approximately 31.8% of the number of shares tendered by each stockholder who participated in the tender offer was repurchased by us.

(2) Subsequent to the close of the tender offer, we discovered an administrative error in which two tender requests were not processed. We honored the tender requests in January 2022 and accordingly another 1,252 shares were repurchased.

**Senior Securities**

Information about our senior securities is shown in the table below as of December 31, 2021, December 31, 2020, December 31, 2019, December 31, 2018, September 30, 2018, September 30, 2017, and September 30, 2016. Prior to the period ended September 30, 2016, there were no senior securities outstanding. The report of our independent registered public accounting firm, KPMG LLP, on the senior securities table as of December 31, 2021, December 31, 2020, December 31, 2019, December 31, 2018, September 30, 2018, September 30, 2017, and September 30, 2016 is attached as an exhibit to this annual report on Form 10-K.

| Period ended | | Total Amount Outstanding Exclusive of Treasury Securities (1) | | Asset Coverage Per Unit (2) | | Involuntary Liquidating Preference Per Unit (3) | Average Market Value Per Unit (Exclude Bank Loans) (4) |
|---|---|---|---|---|---|---|---|
| December 31, 2021 | $ | 48,238,009 | $ | 2.5 | $ | — | N/A (5) |
| December 31, 2020 | $ | 4,250,000 | $ | 18.9 | $ | — | N/A |
| December 31, 2019 | $ | 3,120,888 | $ | 25.2 | $ | — | N/A |
| December 31, 2018 | $ | — | $ | — | $ | — | N/A |
| September 30, 2018 | $ | 1,800,000 | $ | 48.7 | $ | — | N/A |
| September 30, 2017 | $ | 1,800,000 | $ | 42.9 | $ | — | N/A |
| September 30, 2016 | $ | 14,508,031 | $ | 3.9 | $ | — | N/A |

(1) For purposes of calculating the asset coverage ratio per unit, we consider the obligations under the participation agreements to be senior securities.

(2) Asset coverage per unit is the ratio of the carrying value of our total assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

(3) The amount to which such class of senior security would be entitled upon the voluntary liquidation of the issuer in preference to any security junior to it. The "—" in this column indicates that the SEC expressly does not require this information to be disclosed for certain types of senior securities.

(4) Not applicable because senior securities are not registered for public trading on an exchange.

(5) As of December 31, 2021, senior securities included $38.4 million of senior notes, $5.0 million of borrowings under a term loan and $4.9 million of obligations under participation agreements. The average trading price for the senior notes for the year ended December 31, 2021 was $25.7.

**Item 6. [Reserved].**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The information contained in this section should be read in conjunction with our audited financial statements and related notes thereto and other financial information included elsewhere in this Annual Report on Form 10-K.

For the discussion and analysis of financial condition and results of operations for the years ended December 31, 2020 and 2019, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of operations" of the Transition Report on Form 10-K filed with the SEC on March 8, 2021.

Please see Item 1A "Risk Factors" and "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.

**Overview**

We were incorporated under the general corporation laws of the State of Maryland on May 15, 2013 and commenced operations on June 24, 2015. Prior to June 24, 2015, we had no operations except for matters relating to our organization and registration. We are an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act, and previously elected to be taxed for federal income tax purposes, beginning with our taxable year ended September 30, 2015, and qualified annually thereafter, as a RIC under Subchapter M of the Code. On December 31, 2018, we announced our intention to change our tax election from taxation as a RIC to taxation as a REIT. The REIT tax election allows us to benefit from the preferential tax treatment afforded to RICs and REITs without us being subject to RIC-specific diversification restrictions. We elected to be taxed as a REIT under the Code commencing with our short taxable year beginning October 1, 2018 and ending December 31, 2018 and believe we have operated so as to qualify to be taxed as a REIT under Subchapter M of the Code. Concurrent with the change in tax election, we changed our fiscal year end from September 30 to December 31 to satisfy the REIT requirement.

Our investment activities are externally managed by Terra Income Advisors and supervised by our Board, a majority of whom are independent. Under the Investment Advisory Agreement, we have agreed to pay Terra Income Advisors an annual base management fee based on our average quarterly gross assets, as well as incentive fees based on our performance. We are also responsible for future payments of the servicing fee to selected dealers under the servicing plan (the "Servicing Plan") as a result of the assignment of certain administrative functions and other obligations under the second amended and restated dealer manager agreement (the "Dealer Manager Agreement") between the Company and Terra Capital Markets, LLC ("Terra Capital Markets") and related selected dealer agreements to us. See "Item 13. — Compensation of Terra Income Advisors and Terra Capital Markets".

On April 1, 2021, Mavik Capital Management, LP, an entity controlled by Vikram S. Uppal, our Chief Executive Officer, completed a series of related transactions that resulted in all of the outstanding interests in Terra Capital Partners being acquired by Mavik for a combination of cash and interests in Mavik. Following the series of transactions described below, Terra Income Advisors is ultimately controlled by Mavik.

Prior to the Recapitalization, Terra Capital Partners was the immediate parent and managing member of Terra Income Advisors, and was ultimately controlled by the Axar RE Manager. In connection with the Recapitalization, Axar RE Manager assumed direct control of Terra Income Advisors by becoming its manager. Thus, the same parties that controlled Terra Income Advisors prior to the consummation of the Recapitalization maintained control of Terra Income Advisors, and by the terms of the Recapitalization continued to do so until a new investment advisory and administrative services agreement between us and Terra Income Advisors was approved by the affirmative vote of a majority of the outstanding shares of common stock entitled to vote at our 2021 annual meeting of stockholders on September 22, 2021. Subsequent to the approval of the Investment Advisory Agreement, Axar RE Manager ceased to be the manager of Terra Income Advisors and Terra Capital Partners again became the managing member of Terra Income Advisors.

Our primary investment objectives are to pay attractive and stable cash distributions and to preserve, protect and return capital contributions to stockholders. Our investment strategy is to originate and manage a diversified portfolio consisting of (i) commercial real estate loans to U.S. companies qualifying as "eligible portfolio companies" under the 1940 Act, including mezzanine loans, first and second lien mortgage loans, subordinated mortgage loans, bridge loans and other commercial real estate-related loans related to or secured by high quality commercial real estate in the United States and (ii) preferred equity real estate investments in U.S. companies qualifying as "eligible portfolio companies" under the 1940 Act. We may also purchase select commercial real estate-related debt securities, such as CMBS or CDOs.

The level of our investment activity depends on many factors, including the amount of debt and equity capital available to prospective borrowers, the level of refinancing activity for such companies, the availability of credit to finance transactions, the general economic environment and the competitive environment for the types of investments we make. Our distributions may exceed our earnings. Therefore, portions of the distributions that we make may represent a return of capital to investors for tax purposes, which will lower investors' tax basis in their shares.

The COVID-19 pandemic has had a significant impact on local, national and global economies and has resulted in a world-wide economic slowdown. While certain economies have exhibited growth of late when compared to earlier months of 2020, the amount of economic recovery will continue to be impacted by reductions and restrictions in economic activity resulting from increased COVID-19 cases. We continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our investments and operations. The extent to which the COVID-19 pandemic may impact our investments and operations going forward will depend on future developments, which are highly uncertain and cannot be predicted with confidence. These developments include the duration of the outbreak, the impact of the global vaccination effort, any new strains of the virus that are resistant to available vaccines, the impact of government stimulus, new information that may emerge concerning the severity of COVID-19, and actions taken by federal, state and local agencies as well as the general public to contain COVID-19 or treat its impact, among others.

***Revenues***

We generate revenue primarily in the form of interest on the debt securities that we hold. We make debt investments that bear interest at fixed and floating rates. Interest on debt securities is generally payable monthly. The principal amount of the debt securities and any accrued but unpaid interest generally become due at the maturity date. In addition, we may generate revenue in the form of exit fees payable upon repayment of the loans we hold, origination fees for loans we originate, commitment and other fees in connection with transactions, all of which are recorded as interest income. As prepayment(s), partial or full, occurs on an investment, prepayment income is recognized. Preferred returns earned on any preferred equity investments, if any, is recognized on an accrual basis to the extent that we expect to collect such amounts.

***Expenses***

Our primary operating expenses include interest expense on unsecured notes payable, interest expense from obligations under participation agreements, professional fees, payment of fees and reimbursement of expenses to Terra Income Advisors and other expenses necessary for our operations. We bear other expenses, which include, among other things:

- the cost of calculating our NAV, including the related fees and cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to, or associated with, monitoring our financial and legal affairs;
- making investments and valuing investments, including fees and expenses associated with performing due diligence reviews of prospective investments;
- interest payable on debt, if any, incurred to finance our investments;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- servicing fees;
- federal and state registration fees;
- federal, state and local taxes;
- independent directors' fees and expenses, including travel expenses;
- costs of director and stockholder meetings, proxy statements, stockholders' reports and notices;
- costs of fidelity bonds, directors and officers/errors and omissions liability insurance and other insurance premiums;
- direct costs, including those relating to printing of stockholder reports and advertising or sales materials, mailing and long-distance telephone expenses;
- fees and expenses associated with independent audits and outside legal costs, including compliance with the Sarbanes-Oxley Act, the 1940 Act and applicable federal and state securities laws;
- costs associated with our chief compliance officer;
- brokerage commissions for our investments; and

- all other expenses incurred by us or Terra Income Advisors in connection with administering our investment portfolio, including expenses incurred by Terra Income Advisors in performing certain of its obligations under the Investment Advisory Agreement.

We reimburse Terra Income Advisors for expenses necessary to perform services related to our administration and operation. The amount of this reimbursement is set at the lesser of (i) Terra Income Advisors's actual costs incurred in providing such services and (ii) the amount that our Board, including a majority of our independent directors, estimates we would be required to pay alternative service providers for comparable services in the same geographic location. Terra Income Advisors is required to allocate the cost of such services to us based on objective factors, such as total assets, revenues, time allocations and/or other reasonable metrics. Our Board then assesses the reasonableness of such reimbursements based on the breadth, depth and quality of such services as compared to the estimated cost to us of obtaining similar services from third-party providers known to be available. In addition, our Board considers whether any single third-party service provider would be capable of providing all such services at comparable cost and quality. Finally, our Board compares the total amount paid to Terra Income Advisors for such services as a percentage of our net assets to the same ratio as reported by other comparable BDCs. We do not reimburse Terra Income Advisors for any services for which it receives a separate fee, or for rent, depreciation, utilities, capital equipment or other administrative items allocated to a controlling person of Terra Income Advisors.

**Net Loan Investment Portfolio**

The tables below present our investment portfolio on a net investment basis, which represents our proportionate share of the investments, based on our economic ownership of these investments. This measure is used in reports to our executive management and is used as a component to the asset base from which we calculate our base management fee. We believe that this measure provides useful information to investors because it represents our total assets under management and the financial exposure of each investment individually.

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Gross Loan Investments | | Transfers Treated as Obligations Under Participation Agreements | | Net Loan Investments | |
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair value |
| American Gilsonite Company | $ 21,108,623 | $ 21,417,965 | $ — | $ — | $ 21,108,623 | $ 21,417,965 |
| 370 Lex Part Deux, LLC | 21,002,365 | 20,250,306 | — | — | 21,002,365 | 20,250,306 |
| Hillsborough Owners LLC | 16,026,455 | 16,279,593 | 4,807,937 | 4,883,877 | 11,218,518 | 11,395,716 |
| Post Brothers Holdings, LLC | 14,897,294 | 15,100,246 | — | — | 14,897,294 | 15,100,246 |
| William A. Shopoff & Cindy I. Shopoff | 13,121,112 | 13,347,088 | — | — | 13,121,112 | 13,347,088 |
| RS JZ Driggs, LLC | 7,847,256 | 7,877,552 | — | — | 7,847,256 | 7,877,552 |
| Havemeyer TSM LLC | 6,810,164 | 6,874,428 | — | — | 6,810,164 | 6,874,428 |
| Ann Street JV LLC | 5,320,560 | 5,482,725 | — | — | 5,320,560 | 5,482,725 |
| Dwight Mezz II LLC | 3,000,000 | 3,000,730 | — | — | 3,000,000 | 3,000,730 |
| Total loan investments | 109,133,829 | 109,630,633 | 4,807,937 | 4,883,877 | 104,325,892 | 104,746,756 |
| Marketable securities | 789,335 | 879,272 | — | — | 789,335 | 879,272 |
| Total investments | $109,923,164 | $110,509,905 | $ 4,807,937 | $ 4,883,877 | $105,115,227 | $105,626,028 |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Gross Loan Investments | | Transfers Treated as Obligations Under Participation Agreements | | Net Loan Investments | |
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair value |
| 370 Lex Part Deux, LLC | $18,829,330 | $18,177,257 | $ — | $ — | $18,829,330 | $18,177,257 |
| LD Milpitas Mezz, LP | 17,118,124 | 17,175,880 | 4,285,562 | 4,293,971 | 12,832,562 | 12,881,909 |
| Orange Grove Property Investors, LLC | 8,539,823 | 8,565,819 | — | — | 8,539,823 | 8,565,819 |
| Havemeyer TSM LLC | 6,222,830 | 6,347,853 | — | — | 6,222,830 | 6,347,853 |
| Stonewall Station Mezz LLC | 4,623,925 | 4,607,695 | — | — | 4,623,925 | 4,607,695 |
| RS JZ Driggs, LLC | 4,313,257 | 4,306,434 | — | — | 4,313,257 | 4,306,434 |
| City Gardens 333 LLC | 3,957,458 | 3,958,747 | — | — | 3,957,458 | 3,958,747 |
| Dwight Mezz II LLC | 3,000,000 | 3,033,593 | — | — | 3,000,000 | 3,033,593 |
| Total loan investments | 66,604,747 | 66,173,278 | 4,285,562 | 4,293,971 | 62,319,185 | 61,879,307 |
| Marketable securities | 789,335 | 864,170 | — | — | 789,335 | 864,170 |
| Total investments | $67,394,082 | $67,037,448 | $4,285,562 | $4,293,971 | $63,108,520 | $62,743,477 |

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Weighted Average Principal Amount | Weighted Average Coupon Rate | Weighted Average Principal Amount | Weighted Average Coupon Rate |
| Gross loan investments | $ 80,550,941 | 12.8% | $ 64,973,940 | 12.3% |
| Obligations under participation agreements | (3,521,859) | 11.9% | (4,126,768) | 13.0% |
| Net loan investments | $ 77,029,082 | 12.9% | $ 60,847,172 | 12.2% |

Our portfolio is concentrated in a limited number of industries and borrowers, and, as a result, a downturn in any particular industry or borrower in which we are heavily invested may significantly impact the aggregate returns we realize. If an industry in which we are heavily invested suffers from adverse business or economic conditions (as a result of the COVID-19 pandemic or otherwise), a material portion of our investment could be affected adversely, which, in turn, could adversely affect our financial position and results of operations. For example, as of December 31, 2021, our investments secured by multifamily and mixed-use properties represented approximately 38.7% and 31.5%, respectively, of our net assets. In addition, as of December 31, 2021, we held only nine loan investments and our largest loan investment represented approximately 29.1% of our net assets and our top three loan investments represented approximately 78.7% of our net assets. See "Risk Factors—Our loan portfolio is concentrated in a limited number of industries and borrowers, which may subject us to a risk of significant loss if there is a downturn in a particular industry in which we are concentrated or if one of our larger borrowers encounters financial difficulties."

**Portfolio Investment Activity**

For the years ended December 31, 2021 and 2020, we invested $133.9 million and $13.3 million in new and add-on loans, and had $92.6 million and $8.4 million of loan repayments, resulting in resulting in net investments of $41.3 million and $4.9 million, respectively. Additionally, for the years ended December 31, 2021 and 2020, we purchased $10.0 million and $6.0 million in marketable securities, and sold $10.7 million and $6.4 million of marketable securities, respectively.

Our portfolio composition, based on fair value at December 31, 2021 and 2020 was as follows:

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Investments at Fair Value | Percentage of Total Portfolio | Weighted Average Coupon Rate (1) | Investments at Fair Value | Percentage of Total Portfolio | Weighted Average Coupon Rate (1) |
| Loans | $ 61,281,259 | 55.4 % | 12.6 % | $ 20,209,473 | 30.1 % | 12.7 % |
| Loans through participation interest | 48,349,374 | 43.8 % | 12.7 % | 45,963,805 | 68.6 % | 10.1 % |
| Marketable securities | 879,272 | 0.8 % | 8.5 % | 864,170 | 1.3 % | 8.5 % |
| Total | $110,509,905 | 100.0 % | 12.6 % | $ 67,037,448 | 100.0 % | 10.8 % |

(1) Based upon the principal value of our investments.

The following table shows the portfolio composition by property type grouping based on fair value at December 31, 2021 and 2020:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Multifamily | $ 28,460,523 | 25.7 % | $ 4,306,434 | 6.4 % |
| Mixed use | 23,154,021 | 21.0 % | 6,347,853 | 9.5 % |
| Infrastructure | 21,417,965 | 19.4 % | — | — % |
| Office | 20,250,306 | 18.3 % | 18,177,257 | 27.1 % |
| Industrial | 13,347,088 | 12.1 % | — | — % |
| Student housing | 3,000,730 | 2.7 % | 6,992,340 | 10.4 % |
| Hotel - extended stay | — | — % | 17,175,880 | 25.6 % |
| Condominium | — | — % | 8,565,819 | 12.8 % |
| Land | — | — % | 4,607,695 | 6.9 % |
| Total loan investments | 109,630,633 | 99.2 % | 66,173,278 | 98.7 % |
| Marketable securities | 879,272 | 0.8 % | 864,170 | 1.3 % |
| Total investments | $ 110,509,905 | 100.0 % | $ 67,037,448 | 100.0 % |

### Senior Unsecured Notes

In February 2021, we issued $38.4 million in aggregate principal amount of 7.00% fixed-rate notes due 2026, for net proceeds of $37.2 million after deducting underwriting commissions of $1.2 million. Interest on the notes is paid quarterly in arrears every March 30, June 30, September 30 and December 30, at a rate of 7.00% per year, beginning June 30, 2021. The notes mature on March 31, 2026. The notes may be redeemed in whole or in part at any time or from time to time at our option on or after February 10, 2023.

### Term Loan

In April 2021, we entered into a credit agreement with a lender to provide for a delayed draw term loan of $25.0 million. The Term Loan currently bears interest at a rate equal to 5.625% and matures on April 9, 2025. As of December 31, 2021, the amount outstanding under the Term Loan was $5.0 million.

### Obligations under Participation Agreements

We may enter into participation agreements with related and unrelated parties, primarily other affiliated funds of our sponsor. The participation agreements provide us with the opportunity to invest along the same terms, conditions, price, and rights in the specified investment. The purpose of the participation agreements is to allow us and an affiliate to originate a specified investment when, individually, we do not have the liquidity to do so or to achieve a certain level of portfolio diversification. We may transfer portions of our investments to other participants or we may be a participant to an investment held by another entity.

Certain partial loan sales do not qualify for sale accounting because these sales do not meet the definition of a "participating interest," as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain as an investment on the accompanying statements of assets and liabilities and the portion transferred is recorded as obligations under participation agreements in the liabilities section of the statements of assets and liabilities.

As of December 31, 2021 and 2020, obligations under participation agreements at fair value was $4.9 million and $4.3 million and the weighted average contractual interest rate on the obligations under participation agreements was 8.3% and 13.0%, respectively. For the year ended December 31, 2021, we transferred $25.9 million of investments to affiliates through participation agreements and made $25.7 million of repayments on obligations under participation agreements. For the year ended December 31, 2020, we transferred $1.1 million of investments to affiliates through participation agreements and did not make any repayments on obligations under participation agreements.

**Results of Operations**

Operating results for the years ended December 31, 2021 and 2020 were as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | Change |
| Total investment income | $ 13,671,878 | $ 10,096,375 | $ 3,575,503 |
| Total operating expenses | 10,509,401 | 5,177,571 | 5,331,830 |
| Net investment income before income taxes | 3,162,477 | 4,918,804 | (1,756,327) |
| Income tax expense | 534,784 | — | 534,784 |
| Net investment income | 2,627,693 | 4,918,804 | (2,291,111) |
| Net change in unrealized appreciation (depreciation) on investments | 943,375 | (1,228,240) | 2,171,615 |
| Net realized gain on investments | 582,710 | 1,173,714 | (591,004) |
| Net change in unrealized (appreciation) depreciation on obligations under participation agreements | (67,533) | 65,066 | (132,599) |
| Net increase in net assets resulting from operations | $ 4,086,245 | $ 4,929,344 | $ (843,099) |

**Investment Income**

The composition of our investment income for the years ended December 31, 2021 and 2020 were as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | Change |
| Interest income | $ 12,489,678 | $ 8,692,506 | $ 3,797,172 |
| Prepayment fee income | 485,236 | 1,280,290 | (795,054) |
| Dividend and other income | 696,964 | 123,579 | 573,385 |
| **Total investment income** | $ 13,671,878 | $ 10,096,375 | $ 3,575,503 |

*Interest Income*

For the year ended December 31, 2021 as compared to the same period in 2020, interest income increased by $3.8 million, primarily due to an increase of $2.9 million on contractual interest income and an increase of $0.9 million in origination and exit fee income. Contractual interest income increased as a result of an increase in the weighted average outstanding principal balance as well as an increase in the weighted average coupon rate on our investments. Origination and exit fee income are related to a loan we originated in the third quarter and the borrower repaid in the same period.

*Prepayment Fee Income*

Prepayment fee income represents prepayment fees charged to borrowers for the early repayment of loans.

For the year ended December 31, 2021, we received a prepayment fee income of $0.5 million on a loan that a borrower repaid one year before maturity. For each of the year ended December 31, 2020, we received a prepayment fee income of $1.3 million on a loan that a borrower repaid more than four years before maturity.

*Dividend and Other Income*

For the year ended December 31, 2021 as compared to the same period in 2020, dividend and other income increased by $0.6 million, as a result of an increase in the weighted average investment balance on marketable securities.

***Operating Expenses***

The composition of our operating expenses for the years ended December 31, 2021 and 2020 were as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| Base management fees | $ 2,182,947 | $ 1,517,858 | $ 665,089 |
| Incentive fees on capital gains | 291,710 | 6,214 | 285,496 |
| Operating expense reimbursement to Adviser | 1,222,217 | 799,893 | 422,324 |
| Servicing fees | 501,718 | 705,555 | (203,837) |
| Interest expense on unsecured notes payable | 2,703,111 | — | 2,703,111 |
| Professional fees | 1,240,762 | 1,180,990 | 59,772 |
| Interest expense from obligations under participation agreements | 1,513,228 | 571,083 | 942,145 |
| Interest expense on term loan | 313,638 | — | 313,638 |
| Directors' fees | 120,622 | 120,500 | 122 |
| Insurance expense | 242,019 | 215,301 | 26,718 |
| General and administrative expenses | 177,429 | 60,177 | 117,252 |
| Total operating expenses | $ 10,509,401 | $ 5,177,571 | $ 5,331,830 |

For the year ended December 31, 2021 as compared to the same period in 2020, total operating expenses increased by $5.3 million. The reasons for the changes are stated below.

*Base Management Fees*

Under the Investment Advisory Agreement, we pay Terra Income Advisors a base management fee, which is calculated at an annual rate of 2.0% of our average gross assets.

For the year ended December 31, 2021 as compared to the same period in 2020, base management fees increased by $0.7 million, due to an increase in our gross assets resulting from an increase in funds under management.

*Incentive Fees on Capital Gains*

Under the Investment Advisory Agreement, we pay Terra Income Advisors an incentive fee on capital gains equal to 20.0% of our net realized and unrealized capital gains. No incentive fees on capital gains are actually payable by us with respect to unrealized gains` until those gains are realized.

For the year ended December 31, 2021 as compared to the same period in 2020, incentive fees on capital gains increased by $0.3 million, primarily due to an increase in unrealized appreciation on our marketable securities and loan investments.

*Operating Expense Reimbursement to Adviser*

Under the Investment Advisory Agreement, we reimburse Terra Income Advisors for operating expenses incurred in connection with administrative services provided to us, including compensation to administrative personnel.

For the year ended December 31, 2021 as compared to the same period in 2020, operating expense reimbursement to Adviser increased by $0.4 million, primarily due to an increase in our allocation ratio in relation to affiliated funds managed by Terra Income Advisors and its affiliates as a result of an increase in funds under management.

*Servicing Fees*

On September 30, 2017, we adopted the Servicing Plan pursuant to which we paid Terra Capital Markets, an affiliate of Terra Income Advisors and the dealer manager of the Offering, a servicing fee at an annual rate of 1.125% of the most recently published NAV per share of our common stock, of which up to 0.75% is reallowed to selected dealers, in exchange for providing stockholder-related administrative support services. With respect to each share sold, excluding shares sold through our distribution reinvestment plan, the servicing fee is payable annually on the anniversary of the applicable month of purchase. On December 23, 2020, Terra Capital Markets assigned certain of its administration support services and certain obligations under the Dealer Manager Agreement to us, including making future payments of the previously reallowed servicing fee under the Servicing Plan directly to selected dealers, effectively reducing the servicing fee to 0.75%.

For the year ended December 31, 2021 as compared to the same period in 2020, servicing fees decreased by $0.2 million, as a result of a reduction in the servicing fee rate.

*Interest Expense on Unsecured Notes Payable*

In February 2021, we issued $38.4 million in aggregate principal amount of 7.00% fixed-rate notes due 2026.

For the year ended December 31, 2021, interest expense on unsecured notes payable was $2.7 million. There was no such interest expense for the year ended December 31, 2020.

*Interest Expense From Obligations Under Participation Agreements*

For the year ended December 31, 2021 as compared to the same period in 2020, interest expense from obligations under participation agreements increased by $0.9 million, due to the participants' portion of prepayment fee, origination fee and exit fee income related to a new loan that was originated and repaid in the current quarter as well as an increase in the weighted average principal balance on obligations under participation agreements.

*Interest Expense on Term Loan*

In April 2021, we entered into a credit agreement with a lender to provide for a delayed draw term loan of $25.0 million. The Term Loan currently bears interest at a rate equal to 5.625% and matures on April 9, 2025. We also pay, with respect to any unused portion of the Term Loan, a commitment fee of 0.75% per annum. As of December 31, 2021, the amount outstanding under the Term Loan was $5.0 million.

For the year ended December 31, 2021, interest expense on Term Loan was $0.3 million. There was no interest expense on Term Loan for the year ended December 31, 2020.

*General and Administrative Expenses*

For the year ended December 31, 2021 as compared to the same period in 2020, general and administrative expenses increased by $0.1 million, primarily due to fees incurred in connection with the 2021 proxy solicitation as well as an increase in our state franchise taxes.

*Income Tax Expense*

During the third quarter of 2021, we formed a taxable REIT subsidiary to hold two credit facilities. For the year ended December 31, 2021, pre-tax income attributable to the TRS was $1.8 million. Based on the effective income tax rate of 30.5%, provision for income tax for the TRS was $0.5 million. There was no such expense for the same periods in 2020.

***Net Change in Unrealized Appreciation or Depreciation on Investments and Obligations under Participation Agreements***

Net change in unrealized appreciation or depreciation on investments and obligations under participation agreements reflects the change in our portfolio investment values during the reporting period, including any reversal of previously recorded unrealized gains or losses, when gains or losses are realized. Valuation of our portfolio investments and obligations under participation agreements fluctuates over time, reflecting changes in the market yields for loans and debt investments, and any associated premium or discount and origination or exit fee are amortized down or accreted up to par value as each investment approaches maturity.

2021 —For the year ended December 31, 2021, we recorded an increase in net change in unrealized appreciation on investments of $0.9 million, primarily due to new investments originated in the current period partially offset by a decrease in the discounted cash flow of one loan due to the recovery period being extended.

2020 — For the year ended December 31, 2020, we recorded an increase in net change in unrealized depreciation on investments of $1.2 million, primarily due to widening credit spreads partially offset by decreases in underlying index rates as a result of the macro-economic conditions impacted by the COVID-19 outbreak. For additional information concerning the COVID-19 pandemic and its potential impact on our business and our operating results, see Part II - Other information, Item 1A. Risk Factors, "The continuing spread of a new strain of coronavirus, which causes the viral disease known as COVID-19, may adversely affect our investments and operations".

***Net Realized Gain on Investments***

For the year ended December 31, 2021, net realized gain on investments was $0.6 million, respectively, primarily related to net gain recognized on sale of marketable securities of $0.8 million, partially offset by a loss recognized on the repayment of a loan of $0.2 million. For the year ended December 31, 2020, we sold certain marketable securities and recognized a net realized gain on investments of $1.2 million.

### *Net Increase in Net Assets Resulting from Operations*

For the years ended December 31, 2021 and 2020, we recorded a net increase in net assets resulting from operations of $4.1 million and $4.9 million, respectively. Based on the weighted average shares of common stock outstanding, our per share net increase in net assets resulting from operations was $0.49 and $0.59, respectively.

## Financial Condition, Liquidity and Capital Resources

We currently generate cash primarily from cash flows from interest, dividends and fees earned from our investments and principal repayments and proceeds from sales of our investments. Our primary use of cash is for our targeted investments, payments of our expenses and cash distributions to our stockholders.

Prior to investing in securities of portfolio companies, we invest the net proceeds from the offering of securities and from sales and paydowns of existing investments primarily in cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt instruments maturing in one year or less from the time of investment, consistent with our BDC election.

We may borrow funds to make investments to the extent we determine that leveraging our portfolio would be appropriate. In February 2021, we issued $38.4 million in aggregate principal amount of 7.00% fixed-rate notes due 2026, for net proceeds of $37.2 million after deducting underwriting commissions of $1.2 million. In April 2021, we entered into a credit agreement with a lender to provide for a delayed draw term loan of $25.0 million. The Term Loan currently bears interest at a rate equal to 5.625% and matures on April 9, 2025. As of December 31, 2021, the amount outstanding under the Term Loan was $5.0 million.

### *Cash Flows for the Year Ended December 31, 2021*

*Operating Activities* — For the year ended December 31, 2021, net cash used in operating activities was $35.7 million. The level of cash flows used in or provided by operating activities is affected by the timing of purchases, repayments and sales of portfolio investments, among other factors. Cash flows used in operating activities for the year ended December 31, 2021 were primarily related to purchases of investments of $143.9 million, partially offset by repayments and proceeds from sale of investments of $103.3 million and cash generated from operations of $4.9 million.

*Financing Activities* — For the year ended December 31, 2021, net cash provided by financing activities was $33.8 million, primarily related to proceeds from issuance of unsecured notes, net of discount, of $37.2 million and proceeds from borrowings under the Term Loan of $4.4 million, net of discount, partially offset by distributions paid to stockholders of $2.9 million, payments for repurchases of common stock under the stock repurchase plan of $3.8 million and payment of financing costs related to the issuance of unsecured notes and the Term Loan of $1.3 million. Additionally, we received proceeds from obligations under participation agreements of $25.9 million and made repayment of obligations under participation agreements of $25.7 million

### *Cash Flows for the Year Ended December 31, 2020*

*Operating Activities* — For the year ended December 31, 2020, net cash used in by operating activities was $0.4 million. The level of cash flows used in or provided by operating activities is affected by the timing of purchases, repayments and sales of portfolio investments, among other factors. Cash flows used in operating activities for the year ended December 31, 2020 were primarily related to purchases of investments of $19.3 million, partially offset by repayments and proceeds from sale of investments of $14.8 million and cash generated from operations of $4.2 million.

*Financing Activities* — For the year ended December 31, 2020, net cash used in financing activities was $3.0 million, primarily related to distributions paid to stockholders of $4.1 million, partially offset by proceeds from obligations under participation agreements of $1.1 million.

### *Contractual Obligations*

The following table provides a summary of our contractual obligations at December 31, 2021:

| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|---|---|---|---|---|---|
| Unsecured notes payable — principal [1] | $ 38,375,000 | $ — | $ — | $38,375,000 | $ — |
| Term loan payable — principal [2] | 5,000,000 | — | — | 5,000,000 | — |
| Obligations under participation agreements — principal [3] | 4,863,009 | — | 4,863,009 | — | — |
| Interest on borrowings [2] | 13,135,098 | 3,372,604 | 6,326,556 | 3,435,938 | — |
| Unfunded lending commitments [3] | 14,907,955 | 12,207,967 | 2,699,988 | — | — |
| | $ 76,281,062 | $ 15,580,571 | $ 13,889,553 | $46,810,938 | $ — |

(1) Amount excludes unamortized discount and deferred financing costs of $1.9 million.

(2) Amount excludes unamortized discount and deferred financing costs of $0.8 million.

(3) In the normal course of business, we enter into participation agreements with related parties, whereby we transfer a portion of the loans to them. These loan participations do not qualify for sale treatment. As such, the loans remain on our consolidated statements of assets and liabilities and the proceeds are recorded as obligations under participation agreements. Similarly, interest earned on the entire loan balance is recorded within “Interest income” and the interest related to the participation interest or sold interest is recorded within “Interest expense on obligations under participation agreements” in the consolidated statements of operations. We have no direct liability to a participant under its participation agreements with respect to the underlying loan, and the participants’ share of the loan is repayable only from the proceeds received from the related borrower/issuer of the loans.

(4) Interest was calculated using the applicable annual variable interest rate and balance outstanding at December 31, 2021. Amount represents interest expense through maturity plus exit fee as applicable.

(5) Certain of our loans provide for commitments to fund the borrower at a future date. As of December 31, 2021, we had three loans with total funding commitments of $43.4 million, of which we funded $28.5 million.

*Investment Advisory Agreement and Servicing Plan*

We have entered into certain contracts under which we have material future commitments.

On April 20, 2015, we entered into the Investment Advisory Agreement with Terra Income Advisors in accordance with the 1940 Act. Terra Income Advisors serves as our investment adviser in accordance with the terms of the Investment Advisory Agreement. Payments under the Investment Advisory Agreement in each reporting period consist of (i) a base management fee equal to a percentage of the value of our average gross assets and (ii) an incentive fee based on our performance. Terra Income Advisors is reimbursed for allocated administrative expenses incurred on our behalf.

On September 30, 2017, we adopted the Servicing Plan. Pursuant to the Servicing Plan, Terra Capital Markets was entitled to receive a servicing fee at an annual rate of 1.125% of the most recently published NAV per share of our common stock, of which up to 0.75% is reallowed to selected dealers, in exchange for providing certain administrative support services. With respect to each share sold, excluding shares sold through our distribution reinvestment plan, the servicing fee is payable annually on the anniversary of the applicable month of purchase. On December 23, 2020, Terra Capital Markets assigned to us certain of its administration support services and certain obligations under the Dealer Manager Agreement, including making future payments of the previously reallowed servicing fee under the Servicing Plan directly to selected dealers, effectively reducing the servicing fee to 0.75%. The Servicing Plan will remain in effect for so long as such continuance is approved quarterly by our Board, including a majority of our directors who are not “interested persons” as defined in the 1940 Act and who have no direct or indirect financial interest in the operation of the Servicing Plan or in any agreements entered into in connection therewith. In addition, our Board will review all payments made pursuant to the Servicing Plan at least quarterly. We will no longer incur the annual servicing fee upon the earlier of (i) the aggregate underwriting compensation from all sources, including selling commissions, dealer manager fees, broker-dealer fees, and servicing fees would exceed 10% of the gross proceeds in the Offering, (ii) with respect to a specific share, the date that such share is redeemed or is no longer outstanding, and (iii) the date, if any, upon which a liquidity event occurs.

The following table presents a summary of such fees and reimbursements in accordance with the terms of the related agreements:

| | Years Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Base management fees | $ 2,182,947 | $ 1,517,858 |
| Incentive fees on capital gains | 291,710 | 6,214 |
| Operating expense reimbursement to Adviser | 1,222,217 | 799,893 |
| Servicing fees | 501,718 | 705,555 |

### REIT Status and Distributions

We elected to be taxed as a REIT under the Code commencing with our short taxable year beginning October 1, 2018 and ending December 31, 2018, and we believe we have operated in such a manner to continue to be taxed as a REIT for federal income tax purposes. In order to qualify as a REIT, we are required, among other things, to distribute dividends equal to at least 90% of our REIT net taxable income to the stockholders annually and meet certain tests regarding the nature of our income and assets. As long as the distributions are declared by the later of the fifteenth day of the ninth month following the close of the taxable year or the due date of the tax return, including extensions, distributions paid up to one year after the current tax year can be carried back to the prior tax year for determining the distributions paid in such tax year. We are also subject to nondeductible federal excise taxes if we do not distribute at least 85.0% of our ordinary income, 95.0% of our capital gain net income, if any, and any recognized and undistributed income from prior years on which we paid no federal income taxes. For the years ended December 31, 2021 and 2020, we have made sufficient distributions to our stockholders to qualify to be taxed as a REIT and to preclude the imposition of either U.S. federal corporate income or excise taxation.

Distributions to our stockholders are recorded as of the record date. Subject to the discretion of the Board and applicable legal restrictions, we authorize and declare ordinary cash distributions on either a monthly or quarterly basis and pay such distributions on a monthly basis. We calculate each stockholder's specific distribution amount for the period using daily record dates, and each stockholder's distributions begin to accrue on the date we accept such stockholder's subscription for shares of our common stock. From time to time at the discretion of the Board, we may also pay special interim distributions in the form of cash or shares of common stock.

During certain periods, our distributions may exceed our earnings. As a result, it is possible that some or all of the distributions we make will represent a return of capital for tax purposes. A return of capital generally is a return of an investor's investment rather than a return of earnings or gains derived from our investment activities and will be made after deducting the fees and expenses payable in connection with the Offering, including any fees payable to Terra Income Advisors. Each year a statement on Form 1099-DIV identifying the sources of the distributions will be mailed to our stockholders.

We intend to continue to make our ordinary distributions in the form of cash out of assets legally available for distribution unless stockholders elect to receive their cash distributions in additional shares of our common stock under our distribution reinvestment plan. Any distributions reinvested under the plan will nevertheless remain taxable to a U.S. stockholder.

We have adopted an "opt in" distribution reinvestment plan for our stockholders. As a result, if we make a cash distribution, our stockholders will receive distributions in cash unless they specifically "opt in" to the distribution reinvestment plan so as to have their cash distributions reinvested in additional shares of our common stock. However, certain state authorities or regulators may impose restrictions from time to time that may prevent or limit a stockholder's ability to participate in the distribution reinvestment plan.

We may fund our cash distributions to stockholders from any sources of funds available to us, including, borrowings, net investment income from operations, capital gain proceeds from the sale of assets, non-capital gain proceeds from the sale of assets, dividends or other distributions paid to us on account of preferred and common equity investments in portfolio companies. We have not established limits on the amount of funds we may use from available sources to make distributions.

### Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with United States generally accepted accounting principles ("U.S. GAAP"), which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those that require the application of management's most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. In preparing the consolidated financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. In preparing the consolidated financial statements, management has utilized available information, including industry standards and the current economic environment, among other factors, in forming its estimates and judgments, giving due consideration to materiality. Actual results may differ from these estimates. In addition, other companies may utilize different estimates, which may impact the comparability of our results of operations to those of companies in similar businesses. As we execute our expected operating plans, we will describe additional critical accounting policies in the notes to our future consolidated financial statements in addition to those discussed below.

***Valuation of Investments***

We measure the value of our investments in accordance with fair value accounting guidance promulgated under U.S. GAAP, which establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices, generally, will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value will be classified and disclosed in one of the following categories:

- Level 1 — observable inputs, such as quoted prices in active markets. Publicly listed equities, debt securities and publicly listed derivatives will be included in Level 1.
- Level 2 — observable inputs such as for similar securities in active markets and quoted prices for identical securities in markets that are not active. In certain cases, debt and equity securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments. Investments which are generally expected to be included in this category include corporate bonds and loans, convertible debt indexed to publicly listed securities and certain over-the-counter derivatives.
- Level 3 — unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The inputs into the determination of fair value require significant judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and we consider factors specific to the investment. We expect most of the loan investments that will be held in the investment portfolio to fall into Level 3 of the fair value hierarchy. The fair value of our investment in marketable securities is determined based on quoted prices in an active market and is classified as Level 1 of the fair value hierarchy.

***Valuation of Obligations under Participation Agreements***

We have elected the fair value option under Accounting Standard Codification ("ASC") Topic 825, *Financial Instruments,* relating to accounting for debt obligations at their fair value for obligations under participation agreements which arose due to partial loan sales which did not meet the criteria for sale treatment under ASC Topic 860, *Transfers and Servicing*. We employ the yield approach valuation methodology used for the real-estate related loan investments on our obligations under participation agreements.

***Federal Income Taxes***

We elected to be taxed as a REIT under the Code commencing with our short taxable year beginning October 1, 2018 and ending December 31, 2018. In order to qualify as a REIT, we are required, among other things, to distribute at least 90% of our REIT net taxable income to our stockholders and to meet certain tests regarding the nature of our income and assets.

Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. We recognize interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in the statements of operations. For the years ended December 31, 2021 and 2020, we did not incur any interest or penalties.

We hold certain portfolio company investments through consolidated taxable REIT subsidiaries. Such subsidiaries may be subject to U.S. federal and state corporate-level income taxes. These consolidated subsidiaries recognize deferred tax assets and liabilities for the estimated future tax effects attributable to temporary differences between the tax basis of certain assets and liabilities and the reported amounts included in the accompanying consolidated statements of assets and liabilities using the applicable statutory tax rates in effect for the year in which any such temporary differences are expected to reverse.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

We may be subject to financial market risks, including changes in interest rates. To the extent that we borrow money to make investments, our net investment income will be dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds. In periods of rising interest rates, our cost of funds would increase, which may reduce our net investment income. As a result, there can be no assurance that a significant change in the market interest rates will not have a material adverse effect on our net investment income.

As of December 31, 2021, we had two investments with a net principal balance of $32.4 million that provides for interest income indexed to LIBOR and is subject to a LIBOR floor. A decrease of 1% in LIBOR would have no impact on our annual interest income because the interest rates are protected by a floor in the respective loan agreements. An increase of 1% in LIBOR would increase our annual interest income by $0.1 million.

We may hedge against interest rate and currency exchange rate fluctuations by using standard hedging instruments, such as futures, options and forward contracts, subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in benefits of lower interest rates with respect to our portfolio of investments with fixed interest rates. For the years ended December 31, 2021 and 2020, we did not engage in interest rate hedging activities.

In addition, we may have risks regarding portfolio valuation. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Valuation of Investments."

**Item 8. Financial Statements and Supplementary Data.**

Our financial statements are annexed to this Annual Report on Form 10-K beginning on page F-1.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures***

As required by Rule 13a-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that we would meet our disclosure obligations.

***Evaluation of Internal Controls Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of Terra Income Advisors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements in our financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including the chief executive officer and chief financial officer of Terra Income Advisors (performing functions equivalent to those a principal executive officer and principal financial officer of our company would perform if we had any officers), we conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on its evaluation, our management concluded that our internal control over financial reporting was effective as of the end of the fiscal year covered by this Annual Report on Form 10-K.

The rules of the SEC do not require, and this Annual Report on Form 10-K does not include, an attestation report of our independent registered public accounting firm regarding internal control over financial reporting.

***Changes in Internal Control Over Financial Reporting***

During the most recent fiscal quarter, there was no change in our internal controls over financial reporting, as defined under Rule 13a-15(f) under the Exchange Act, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

**Item 9B. Other Information**

On March 30, 2022, the Board unanimously approved the suspension of the operation of the SRP, effective as of April 30, 2022. The SRP will remain suspended until such time as the Board approves its resumption.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate governance.**

Set forth below is information concerning our directors and executive officers.

**Board of Directors and Executive Officers**

Our Board consists of four members, three of whom are not "interested persons" with respect to us or Terra Income Advisors as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our independent directors. Members of the Board will be elected annually at our annual meeting of stockholders. We are prohibited from making loans or extending credit, directly or indirectly, to our directors or executive officers under Section 402 of the Sarbanes-Oxley Act.

Through its direct oversight role, and indirectly through its committees, the Board performs a risk oversight function for us consisting of, among other things, the following activities: (i) at regular and special Board meetings, and on an ad hoc basis, receiving and reviewing reports related to our performance and operations; (ii) reviewing and approving, as applicable, our compliance policies and procedures; (iii) meeting with the portfolio management team to review investment strategies, techniques and the processes used to manage related risks; (iv) meeting with, or reviewing reports prepared by, the representatives of key service providers, including our investment adviser, administrator, distributor, transfer agent, custodian and independent registered public accounting firm, to review and discuss our activities and to provide direction with respect thereto; (v) engaging the services of our chief compliance officer to test our compliance procedures and our service providers; and (vi) on a quarterly basis, approving the continuance of the Servicing Plan and the payments of service fees thereunder. Mr. Uppal, who is not an independent director, serves as Chairman of the Board. The Board feels that Mr. Uppal is the director with the most knowledge of our business strategy and is best situated to serve as Chairman of the Board. Our charter, as well as regulations governing BDCs generally, requires that a majority of the Board be independent directors. The Board does not currently have a lead independent director. The Board, after considering various factors, has concluded that this structure is appropriate given our current size and complexity.

***Directors***

Information regarding the Board is set forth below. We have divided the directors into two groups: interested director and independent directors. The address for each director is c/o Terra Income Fund 6, Inc., 550 Fifth Avenue, 6th Floor, New York, NY 10036.

| NAME | AGE | DIRECTOR SINCE | EXPIRATION OF TERM |
|---|---|---|---|
| ***Interested Director*** | | | |
| Vikram S. Uppal | 38 | 2019 | 2023 |
| ***Independent Directors*** | | | |
| Adrienne M. Everett | 35 | 2021 | 2022 |
| Spencer E. Goldenberg | 39 | 2019 | 2024 |
| Gaurav Misra | 45 | 2021 | 2023 |

***Interested Director***

***Vikram S. Uppal*** has served as the Chairman of the Board and President since November 2019, as the Chief Executive Officer of the Company and the Adviser since April 2019, and as the Chief Executive Officer of Terra Capital Partners since December 2018. Mr. Uppal has also served as the Chairman of Terra Property Trust's board of director since November 2021, a director of Terra Property Trust and Terra REIT Advisors since February 2018, as Chief Executive Officer of Terra Property Trust and Terra REIT Advisors since December 2018, and as a director of RESOF since October 2020. Prior to joining Terra Capital Partners, Mr. Uppal was a Partner and Head of Real Estate at Axar Capital Management L.P. since 2016. Prior to Axar Capital Management L.P., Mr. Uppal was a Managing Director on the Investment Team at Fortress Investment Group's Credit and Real Estate Funds from 2015 to 2016. From 2012 to 2015, Mr. Uppal worked at Mount Kellett Capital Management, a private investment organization, where he served as Co-Head of North American Real Estate Investments. Mr. Uppal holds a B.S. from the University of St. Thomas and a M.S. from Columbia University.

***Independent Directors***

***Adrienne M. Everett*** has served as our independent director since September 2021. Since May 2020, Ms. Everett has served as an Enterprise Account Director for LinkedIn Corporation. Ms. Everett previously served on the Leadership Team, and as a Strategy and Business Development Lead for Neyber Ltd from January 2019 to April 2020. Prior to that, Ms. Everett served with Morgan Stanley as Vice President, Business Development and Regional Diversity Officer from January 2018 to December 2018, an Associate Vice President from July 2016 to January 2018, and an Associate from February 2015 to July 2016. Ms. Everett holds a Bachelor of Arts in English from Duke University and is in the process of completing a certificate in Women's Leadership from Oxford University's Said Business School.

***Spencer E. Goldenberg*** has served as our independent director since April 2019 and served as an independent director of Terra Property Trust from February 2018 to February 2020. Mr. Goldenberg has served as an independent director of StoneMor Inc. (NYSE: STON) since June 2019 where he has served as a member of the Audit Committee since June 2019 and the Compensation, Nominating and Governance Committee since December 2019. Mr. Goldenberg previously served as an independent director of American Gilsonite Company from March 2019 to February 2020. Mr. Goldenberg has served as Chief Financial Officer of Menin Hospitality since June 2018, having previously served as Vice President of Corporate Development from June 2015 to June 2018. Prior to his time at Menin, Mr. Goldenberg was employed as an accountant at the firm of Gerstle, Rosen & Goldenberg P.A. from February 2008 to June 2015. From October 2005 until February 2008, he served as a legislative aide to Florida State Senator Gwen Margolis. Mr. Goldenberg holds an active certified public accountant's license in the state of Florida. He holds a Bachelor of Arts in International Affairs from Florida State University.

***Gaurav Misra*** has served as our independent director since September 2021. Since October 2018, Mr. Misra has served as President of Direct-to-Consumer Brands at RxSense LLC. Mr. Misra previously served as Chief Marketing Officer of Raise Inc. from May 2017 to October 2018, and as Chief Marketing Officer of Vroom Inc. from September 2016 to April 2017. Mr. Misra was Chief Executive Officer of BG Media from July 2012 to August 2016. From April 2009 to June 2012, Mr. Misra served as Head of Marketing & Product at Zagat, LLC. Prior to that, Mr. Misra served as Senior Partner with Venturethree Ltd. from 1999 to 2002, and as Business Analyst with McKinsey & Co. from 1997 to 1999. Mr. Misra holds a B.Eng. in Mechanical Engineering from Imperial College London and an M.B.A. from Harvard Business School.

### *Executive Officers*

The following persons serve as our executive officers in the following capacities:

| NAME | AGE | POSITION(S) HELD* |
|---|---|---|
| Vikram S. Uppal | 38 | Chairman of the Board, Chief Executive Officer and President |
| Gregory M. Pinkus | 57 | Chief Operating Officer, Chief Financial Officer, Treasurer and Secretary |
| Daniel J. Cooperman | 47 | Chief Originations Officer |

The address for each executive officer is c/o Terra Income Fund 6, Inc., 550 Fifth Avenue, 6th Floor, New York, NY 10036.

### *Executive Officers Who are Directors*

For information regarding the business experience of Mr. Uppal, see "— Interested Director" above.

### *Executive Officers Who are Not Directors*

***Gregory M. Pinkus*** has served as our Chief Financial Officer, Treasurer and Secretary since May 2013 and our Chief Operating Officer since July 2014. He has also served as Chief Financial Officer and Chief Operating Officer of Terra Income Advisors since February 2015 and July 2014, respectively. Mr. Pinkus has served as (i) the Chief Financial Officer of Terra Capital Advisors, LLC ("Terra Capital Advisors"), Terra Capital Advisors 2, LLC ("Terra Capital Advisors 2") and Terra Income Advisors 2, LLC ("Terra Income Advisors 2") since May 2012, September 2012 and October 2016, respectively; (ii) the Chief Operating Officer of each of Terra Capital Advisors, Terra Capital Advisors 2 and Terra Capital Partners since July 2014; (iii) the Chief Operating Officer of Terra Income Advisors 2 since October 2016; (iv) the Chief Financial Officer, and Secretary and Treasurer, of each of Terra Secured Income Fund 5, LLC ("TSIF 5") since July 2014; (v) the Chief Financial Officer and Chief Operating Officer of Terra Secured Income Fund 5 International ("Terra International"), Terra Income Fund International ("TIFI"), Terra Secured Income Fund 7, LLC ("TSIF 7") and Terra Property Trust since June 2014, October 2016, October 2016 and January 2016, respectively; and (vi) a director of RESOF since October 2020. Prior to joining Terra Capital Partners in May 2012, he served as Assistant Controller for W.P. Carey & Co. from 2006 to August 2010 and as Controller from August 2010 to May 2012. Mr. Pinkus also served as Controller and Vice President of Finance for several early-stage technology companies during the period of 1999 to 2005. Additionally, he managed large-scale information technology budgets at New York Life Insurance Company from 2003 to 2004 and oversaw an international reporting group at Bank of America from 1992 to 1996. Mr. Pinkus is a Certified Public Accountant and member of the American Institute of Certified Public Accountants. He holds a B.S. in Accounting from the Leonard N. Stern School of Business at New York University.

***Daniel J. Cooperman*** has served as our Chief Originations Officer since February 2015, having previously served as our Managing Director of Originations from May 2013 until February 2015. He has also served as Chief Originations Officer of Terra Income Advisors since February 2015. Mr. Cooperman has served as Chief Originations Officer of (i) each of Terra Capital Advisors and Terra Capital Advisors 2 since January 2015, having previously served as Managing Director of Originations until January 2015 of Terra Capital Advisors and Terra Capital Advisors 2 since April 2009 and September 2012, respectively; (ii) each of TSIF 5 and Terra International since January 2015, having previously served as Managing Director of Originations until January 2015 of TSIF 5 and Terra International since July 2009, May 2011, January 2012, September 2012, August 2013 and June 2014, respectively; (iii) Terra Property Trust since January 2016; and (iv) each of Terra Income Advisors 2, TIFI, TSIF 7 since October 2016. Mr. Cooperman has 18 years' experience in the acquisition, financing, leasing and asset management of commercial real estate with an aggregate value of over $5 billion. Prior to the formation of Terra Capital Partners in 2001 and its commencement of operations in 2002, Mr. Cooperman handled mortgage and mezzanine placement activities for The Greenwich Group International, LLC. Prior to joining The Greenwich Group International, LLC, Mr. Cooperman worked in Chase Manhattan Bank's Global Properties Group, where he was responsible for financial analysis and due diligence for the bank's strategic real estate acquisitions and divestitures. Prior to that time, he was responsible for acquisitions and asset management for JGS, a Japanese conglomerate with global real estate holdings. Mr. Cooperman holds a B.S. in Finance from the University of Colorado at Boulder.

The officers of our company may also include one or more vice presidents and other officers in accordance with our bylaws. In addition, the Board may, from time to time, elect such other officers with such powers and duties as it shall deem necessary or desirable.

### Delinquent Section 16(a) Reports

Pursuant to Section 16(a) of the Exchange Act, our directors and executive officers, and any persons holding more than 10% of its common stock, are required to report their beneficial ownership and any changes therein to us and the SEC. Specific due dates for those reports have been established, and we are required to report herein any failure to file such reports by those due dates. Based solely on a review of the copies of such reports and written representations delivered to us by such persons, we believe that there were no violations of Section 16(a) by such persons during the year ended December 31, 2021, except that Vikram S. Uppal did not timely file a Form 4 with the SEC and each of Adrienne M. Everett and Gaurav Misra did not timely filed a Form 3 with the SEC.

### Code of Ethics

We have adopted a Code of Business Conduct and Ethics (the “Code of Ethics”) pursuant to Rule 17j-1 of the 1940 Act, which applies to, among others, our senior officers, including our Chief Executive Officer and our Chief Financial Officer, as well as every officer, director, employee and “access person” (as defined within the Code of Ethics) of the Company.

### Audit Committee

We have established an audit committee of the Board (the “Audit Committee”) that operates pursuant to a charter and consists of three members. The Audit Committee is responsible for selecting, engaging and supervising our independent accountants, reviewing the plans, scope and results of the audit engagement with our independent accountants, approving professional services provided by our independent accountants (including compensation therefor), reviewing the independence of our independent accountants and reviewing the adequacy of our internal controls over financial reporting. The members of the Audit Committee are Ms. Everett, Mr. Goldenberg and Mr. Misra, each of whom is independent. Mr. Goldenberg serves as the chairman of the Audit Committee. The Board has determined that Mr. Goldenberg is an “audit committee financial expert” as defined under Item 407 of Regulation S-K promulgated under the Exchange Act. Each of Ms. Everett, Mr. Goldenberg and Mr. Misra is “financially literate” as required by the NYSE listing standards, and meets the current independence and experience requirements of Rule 10A-3 of the Exchange Act and the NYSE listing standards.

## Item 11. Executive Compensation.

### Compensation of Directors

Our directors who do not also serve in an executive officer capacity for us or Terra Income Advisors are entitled to receive annual cash retainer fees, fees for attending board and committee meetings and annual fees for serving as a committee chairperson. These directors are Ms. Everett, Mr. Goldenberg and Mr. Misra. The above directors will receive an annual fee of $20,000, plus $2,500 for each board meeting attended in person, $1,000 for each board meeting attended via teleconference and $1,000 for each committee meeting attended. In addition, the chairman of the Audit Committee will receive an annual fee of $7,500 and the chairman of each of the Nominating and Corporate Governance Committee and the Valuation Committee, and any other committee, will receive an annual fee of $2,500 for their additional services. We will also reimburse each of the above directors for all reasonable and authorized business expenses in accordance with our policies as in effect from time to time, including reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and each committee meeting not held concurrently with a board meeting. We do not pay compensation to our directors who also serve in an executive officer capacity for us or Terra Income Advisors.

The following table sets forth compensation of our directors for the year ended December 31, 2021:

| Name | Fees Earned or Paid in Cash | All Other Compensation | Total |
|---|---|---|---|
| **Year Ended December 31, 2021** | | | |
| ***Interested Director*** | | | |
| Vikram S. Uppal | $ — | $ — | $ — |
| ***Independent Directors*** | | | |
| Jeffrey M. Altman * | $ 27,386 | $ — | $ 27,386 |
| Adrienne M. Everett * | $ 11,175 | $ — | $ 11,175 |
| Spencer E. Goldenberg | $ 43,500 | $ — | $ 43,500 |
| Robert E. Marks ** | $ 27,386 | $ — | $ 27,386 |
| Gaurav Misra ** | $ 11,175 | $ — | $ 11,175 |

* Adrienne M. Everett was elected as a director at the 2021 annual meeting of stockholders to replace Jeffrey M. Altman, who was not standing for re-election.
** Gaurav Misra was elected as a director at the 2021 annual meeting of stockholders to replace Robert E. Marks, who was not standing for re-election.

**Compensation of Executive Officers**

Our executive officers do not receive any direct compensation from us. We do not currently have any employees and do not expect to have any employees. Services necessary for our business are provided by individuals who are employees of Terra Income Advisors or by individuals who were contracted by us or by Terra Income Advisors to work on behalf of us pursuant to the terms of the Investment Advisory Agreement. Each of our executive officers is an employee of Terra Income Advisors, or one of its affiliates or an outside contractor, and the day-to-day investment operations and administration of our portfolio are managed by Terra Income Advisors. In addition, we reimburse Terra Income Advisors for our allocable portion of expenses incurred by Terra Income Advisors in performing its obligations under the Investment Advisory Agreement, including the allocable portion of the cost of our officers and their respective staffs determined under the Investment Advisory Agreement.

The Investment Advisory Agreement provides that Terra Income Advisors and its officers, managers, controlling persons and any other person or entity affiliated with it acting as our agent will not be entitled to indemnification (including reasonable attorneys' fees and amounts reasonably paid in settlement) for any liability or loss suffered by Terra Income Advisors or such other person, nor will Terra Income Advisors or such other person be held harmless for any loss or liability suffered by us, unless: (i) Terra Income Advisors or such other person has determined, in good faith, that the course of conduct which caused the loss or liability was in our best interests; (ii) Terra Income Advisors or such other person was acting on behalf of or performing services for us; (iii) the liability or loss suffered was not the result of negligence or misconduct by Terra Income Advisors or such other person acting as our agent; and (iv) the indemnification or agreement to hold Terra Income Advisors or such other person harmless for any loss or liability is only recoverable out of our net assets and not from our stockholders.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth, as of March 30, 2022, information with respect to the beneficial ownership of our common stock by:

- any person known to us to beneficially own more than 5% of the outstanding shares of our common stock;
- each member of the Board and each executive officer; and
- all of the members of the Board and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. There are no shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of March 30, 2022. Ownership information for those persons who beneficially own 5% or more of our shares of common stock is based upon reports filed by such persons with the SEC and other information obtained from such persons, if available. Unless otherwise indicated, we believe that each beneficial owner set forth in the table below has sole voting and investment power. Our directors are divided into two groups: interested directors and independent directors. Interested directors are "interested persons" of the Company as defined in Section 2(a)(19) of the 1940 Act.

| Name (1) | Shares Beneficially Owned as of March 30, 2022 | |
|---|---|---|
| | Number of Shares | Percentage (2) |
| ***Interested Director*** | | |
| Vikram S. Uppal | 45,512 | * |
| ***Independent Directors*** | | |
| Adrienne M. Everett | — | — |
| Spencer E. Goldenberg | — | — |
| Gaurav Misra | — | — |
| ***Executive Officers*** | | |
| Gregory M. Pinkus | — | — |
| Daniel J. Cooperman | — | — |
| **All officers and directors as a group (6 persons)** | 45,512 | * |

* Less than one percent

(1) Unless otherwise indicated, the address of each beneficial owner is c/o Terra Capital Partners, LLC, 550 Fifth Avenue, 6th Floor, New York, New York 10036.

(2) Based on a total of 8,094,060 shares of common stock issued and outstanding as of March 30, 2022.

### Item 13. Certain Relationships and Related Transactions, and Director Independence.

We have procedures in place for the review, approval and monitoring of transactions involving the Company and certain persons related to us. For example, our Code of Ethics generally prohibits any employee, officer or director from engaging in any transaction where there is a conflict between such individual's personal interest and the interests of the Company and requires that those parties submit quarterly transactions reports and annual holdings reports to our Chief Compliance Officer. Our Chief Compliance Officer is required to review and approve all related-party transactions (as defined in Item 404 of Regulation S-K promulgated under the Exchange Act). Any amendment or waiver of the Code of Ethics for any executive officer or director must be approved by the Board and publicly disclosed as required by applicable law and regulations.

### Compensation of Terra Income Advisors and Terra Capital Markets

Pursuant to the Investment Advisory Agreement, we pay Terra Income Advisors a base management fee and an incentive fee. We commenced accruing fees under the Investment Advisory Agreement on June 24, 2015, upon commencement of our operations.

The base management fee is calculated at an annual rate of 2% of our average gross assets. The base management fee is payable quarterly in arrears and is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters. The base management fee may or may not be taken in whole or in part at the discretion of Terra Income Advisors. All or any part of the base management fee not taken as to any quarter will be deferred without interest and may be taken in such other quarter as Terra Income Advisors shall determine. The base management fee for any partial month or quarter will be prorated for such partial period.

The incentive fee consists of two parts. The first part, which we refer to as the subordinated incentive fee on income, is calculated and payable quarterly in arrears based upon our "pre-incentive fee net investment income" for the immediately preceding quarter. The subordinated incentive fee on income is subject to a quarterly hurdle rate, expressed as a rate of return on adjusted capital at the beginning of the most recently completed calendar quarter, of 2% (8% annualized), subject to a "catch-up" feature. For this purpose, "pre-incentive fee net investment income" means interest income, dividend income and any other income (including any other fees, other than fees for providing managerial assistance, such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses reimbursed to Terra Income Advisors under the Investment Advisory Agreement and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero-coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. The calculation of the subordinated incentive fee on income for each quarter is as follows:

- No incentive fee is payable to Terra Income Advisors in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate of 2% (8% annualized);
- 100% of our pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10% annualized) is payable to Terra Income Advisors, all or any portion of which may be waived or deferred in Terra Income Advisors's discretion. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than or equal to 2.5%) as the “catch-up.” The catch-up provision is intended to provide Terra Income Advisors with an incentive fee of 20% on all of our pre-incentive fee net investment income when our pre-incentive fee net investment income reaches 2.5% in any calendar quarter; and
- 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.5% in any calendar quarter (10% annualized) is payable to Terra Income Advisors once the hurdle rate is reached and the catch-up is achieved.

The second part of the incentive fee, which we refer to as the incentive fee on capital gains, is an incentive fee on capital gains earned on liquidated investments from the portfolio and is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). This fee equals 20% of our incentive fee on capital gains, which equals our realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. On a quarterly basis, we accrue (but do not pay) for the unrealized capital gains incentive fee by calculating such fee as if it were due and payable as of the end of such period.

We reimburse Terra Income Advisors for expenses necessary to perform services related to our administration and operation. The amount of this reimbursement is set at the lesser of (i) Terra Income Advisors's actual costs incurred in providing such services and (ii) the amount that the Board, including a majority of our independent directors, estimates we would be required to pay alternative service providers for comparable services in the same geographic location. Terra Income Advisors is required to allocate the cost of such services to us based on objective factors such as total assets, revenues, time allocations or other reasonable metrics. The Board then assesses the reasonableness of such reimbursements based on the breadth, depth and quality of such services as compared to the estimated cost to us of obtaining similar services from third-party providers known to be available. In addition, the Board considers whether any single third-party service provider would be capable of providing all such services at comparable cost and quality. Finally, the Board compares the total amount paid to Terra Income Advisors for such services as a percentage of our net assets to the same ratio as reported by other comparable BDCs. We do not reimburse Terra Income Advisors for any services for which it receives a separate fee, or for rent, depreciation, utilities, capital equipment or other administrative items allocated to a controlling person of Terra Income Advisors.

On September 30, 2017, we adopted the Servicing Plan. Pursuant to the Servicing Plan, Terra Capital Markets was entitled to receive a servicing fee at an annual rate of 1.125% of the most recently published NAV per share of our common stock, of which up to 0.75% is reallowed to selected dealers, in exchange for providing certain administrative support services. With respect to each share sold, excluding shares sold through our distribution reinvestment plan, the servicing fee is payable annually on the anniversary of the applicable month of purchase. On December 23, 2020, Terra Capital Markets assigned to us certain of its administration support services and certain obligations under the Dealer Manager Agreement, including making future payments of the previously reallowed servicing fee under the Servicing Plan directly to selected dealers, effectively reducing the servicing fee to 0.75%. The Servicing Plan will remain in effect for so long as such continuance is approved quarterly by our Board, including a majority of our directors who are not “interested persons” as defined in the 1940 Act and who have no direct or indirect financial interest in the operation of the Servicing Plan or in any agreements entered into in connection therewith. In addition, our Board will review all payments made pursuant to the Servicing Plan at least quarterly. We will no longer incur the annual servicing fee upon the earlier of (i) the aggregate underwriting compensation from all sources, including selling commissions, dealer manager fees, broker-dealer fees, and servicing fees would exceed 10% of the gross proceeds in the Offering, (ii) with respect to a specific share, the date that such share is redeemed or is no longer outstanding, and (iii) the date, if any, upon which a liquidity event occurs.

The following table presents a summary of such fees and reimbursements in accordance with the terms of the related agreements:

| | Years Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Base management fees | $ 2,182,947 | $ 1,517,858 |
| Incentive fees on capital gains | 291,710 | 6,214 |
| Operating expense reimbursement to Adviser | 1,222,217 | 799,893 |
| Servicing fees | 501,718 | 705,555 |

**Potential Conflicts of Interest**

Terra Income Advisors, our investment adviser, and its affiliates who currently serve as the investment manager to the Terra Income Funds, share the same senior management and investment team. While Terra Income Advisors intends to allocate investment opportunities in a fair and equitable manner consistent with our investment objectives and strategies, if necessary, so that we will not be disadvantaged in relation to any other client of Terra Income Advisors, it is possible that some investment opportunities may be provided to the Terra Income Funds rather than to us.

***Distributions***

Distributions to our stockholders are recorded as of the applicable record date. Subject to the discretion of the Board and applicable legal restrictions, we intend to authorize and declare ordinary cash distributions on either a monthly or quarterly basis and pay such distributions on a monthly basis. Net realized capital gains, if any, will be distributed or deemed distributed at least annually.

***Capital Gains Incentive Fee***

Pursuant to the terms of the Investment Advisory Agreement, the incentive fee on capital gains earned on liquidated investments of our portfolio is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). Such fee equals 20% of our incentive fee on capital gains (*i.e.*, its realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, net of all realized capital losses and unrealized capital depreciation on a cumulative basis), less the aggregate amount of any previously paid capital gains incentive fees. Once any amount of this fee has been earned, on a quarterly basis, we accrue (but do not pay) for the unrealized capital gains incentive fee by calculating such fee as if it were due and payable as of the end of such period.

**Exemptive Relief**

The SEC has granted us exemptive relief from the provisions of Sections 17(d) and 57(a)(4) of the 1940 Act, thereby permitting us, subject to the satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions with our Co-Investment Affiliates. However, we will be prohibited from engaging in certain transactions with our affiliates even under the terms of this exemptive order. We believe the relief granted to us under this exemptive order may not only enhance our ability to further our investment objectives and strategies, but may also increase favorable investment opportunities for us, in part by allowing us to participate in larger investments, together with our Co-Investment Affiliates, than would be available to us in the absence of such relief.

**Director Independence**

In accordance with our charter, the Board consists of a majority of independent directors. We do not consider a director independent unless the Board has determined that he or she has no material relationship with us and is therefore not an "interested person," as defined by Section 2(a)(19) of the 1940 Act. We monitor the relationships of our directors and officers through the activities of the nominating and corporate governance committee of the Board (the "Nominating Committee") and through a questionnaire each director completes no less frequently than annually and updates periodically as information provided in the most recent questionnaire changes. The Board limits membership on the Audit Committee and the Nominating Committee to independent directors and requires that the valuation committee of the Board have at least two independent directors as members.

The Board has determined that each of the directors and the director nominees are independent and has no material relationship with the Company, except as a director and stockholder of the Company, with the exception of Vikram S. Uppal. Mr. Uppal is an "interested person" of the Company due to his position as Chief Executive Officer and President of the Company and Chief Executive Officer of Terra Income Advisors.

## Item 14. Principal Accountant Fees and Services.

For the years ended December 31, 2021 and 2020, KPMG LLP (“KPMG”) served as our independent auditor and provided certain tax and other services. The Audit Committee currently anticipates that it will engage KPMG as our independent auditor to audit our consolidated financial statements for the year ending December 31, 2022, subject to agreeing on fee estimates for the audit work. The Audit Committee reserves the right, however, to select a new auditor at any time in the future in its discretion if it deems such decision to be in the best interests of us and our stockholders. Any such decision would be disclosed to the stockholders in accordance with applicable securities laws.

### Audit Fees

The following table displays fees for professional services by KPMG for the years ended December 31, 2021 and 2020:

| | Years Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Audit Fees | $ 348,240 | $ 468,250 |
| Audit-Related Fees | — | — |
| Tax Fees | 55,000 | 35,300 |
| All Other Fees | — | — |
| **Total** | **$ 403,240** | **$ 503,550** |

*Audit Fees*. Audit fees include fees for services that normally would be provided by KPMG in connection with statutory and regulatory filings or engagements and that generally only an independent accountant can provide. In addition to fees for the audit of our annual financial statements and the review of our quarterly financial statements in accordance with the standards of the Public Company Accounting Oversight Board, this category contains fees for comfort letters, statutory audits, consents, and assistance with and review of documents filed with the SEC.

*Audit-Related Fees*. Audit-related services consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees.” These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards.

*Tax Services Fees*. Tax services fees consist of fees billed for professional tax services. These services also include assistance regarding federal, state, and local tax compliance.

*All Other Fees*. Other fees would include fees for products and services other than the services reported above.

### Pre-Approval Policies

We have established a pre-approval policy that describes the permitted audit, audit-related, tax and other services to be provided by our independent auditor. Pursuant to this policy, the Audit Committee will pre-approve the audit and non-audit services performed by our independent auditor in order to assure that the provision of such services does not impair the auditor’s independence. Any requests for audit, audit-related, tax and other services that have not received general pre-approval must be submitted to the Audit Committee for specific pre-approval in accordance with the pre-approval policy, irrespective of the amount of fees associated with such services, and cannot commence until such approval has been granted. Normally, pre-approval is provided at the regularly scheduled meetings of the Audit Committee. However, the Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated must report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by our independent auditor to management. All services rendered by KPMG for the years ended December 31, 2021 and 2020 were pre-approved in accordance with the policies set forth above.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules.

The following documents are filed as part of this Annual Report on Form 10-K:

**(1) Financial Statements**


| | Page |
|---|---|
| Report of Independent Registered Public Accounting Firm | F-1 |
| **Financial Statements:** | |
| Consolidated Statements of Assets and Liabilities as of December 31, 2021 and 2020 | F-2 |
| Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019 | F-4 |
| Consolidated Statements of Changes in Net Assets for the years ended December 31,2021, 2020 and 2019 | F-5 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019 | F-6 |
| Consolidated Schedule of Investments as of December 31, 2021 and 2020 | F-7 |
| Notes to Consolidated Financial Statements | F-11 |


**(2) Financial Statement Schedule**

None

**(3) Exhibits**

The following exhibits are filed with this report. Documents other than those designated as being filed herewith are incorporated herein by reference.

| Exhibit No. | Description and Method of Filing |
|---|---|
| 3.1 | Articles of Amendment and Restatement of Terra Income Fund 6, Inc. (incorporated by reference to Exhibit (a) to Post-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-202399) filed with the SEC on May 12, 2015). |
| 3.2 | Articles of Amendment to the Articles of Amendment and Restatement of Terra Income Fund 6, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on May 1, 2019). |
| 3.3 | Amended and Restated Bylaws of Terra Income Fund 6, Inc. (incorporated by reference to Exhibit (b) to Post-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-202399) filed with the SEC on May 12, 2015). |
| 4.1 | Form of Subscription Agreement (incorporated by reference to Appendix A to the Final Prospectus dated February 2, 2018, filed with the SEC on February 2, 2018). |
| 4.2 | Amended and Restated Distribution Reinvestment Plan (incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K filed with the SEC on November 16, 2018) |
| 4.3 | Indenture, dated February 10, 2021, by and between Terra Income Fund 6, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on February 10, 2021). |
| 4.4 | First Supplemental Indenture, dated February 10, 2021, by and between Terra Income Fund 6, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on February 10, 2021). |

| Exhibit No. | Description and Method of Filing |
|---|---|
| 4.5 | Form of Global Note representing the Notes (included in Exhibit 4.4). |
| 4.6 | Description of our Securities (Incorporated by reference to Exhibit 4.5 to the Annual Report on Form 10-K filed with the SEC on March 8, 2021). |
| 10.1 | Second Amended and Restated Dealer Manager Agreement, dated as of September 30, 2017 (incorporated by reference to Exhibit 10.1 to Annual Report on Form 10-K filed with the SEC on November 20, 2017). |
| 10.2 | Servicing Plan, dated as of September 30, 2017 (incorporated by reference to Exhibit 10.2 to Annual Report on Form 10-K filed with the SEC on November 20, 2017). |
| 10.3 | Form of Selected Dealer Agreement (incorporated by reference to Exhibit 10.3 to Annual Report on Form 10-K filed with the SEC on November 20, 2017). |
| 10.4 | Assignment of Dealer Manager Agreement dated as of December 23, 2020, by and between Terra Capital Markets, LLC and Terra Income Fund 6, Inc. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the SEC on December 28, 2020). |
| 10.5 | Credit Agreement, dated as of April 9, 2021, by and among Terra Income Fund 6, Inc., as borrower, Eagle Point Credit Management LLC, as agent, and the lender parties thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 15, 2021). |
| 10.6 | Security Agreement, dated as of April 9, 2021, by and among Terra Income Fund 6, Inc., as grantor, and Eagle Point Credit Management LLC, as administrative agent (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on April 15, 2021). |
| 10.7 | Investment Advisory and Administrative Services Agreement, dated as of September 22, 2021, by and between Terra Income Fund 6, Inc. and Terra Income Advisors, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 23, 2021). |
| 23.1* | Report of Independent Registered Public Accounting Firm on Supplemental Information |
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

* Filed herewith.

** Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the SEC upon request; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

**Item 16. Form 10-K Summary.**

None.

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Terra Income Fund 6, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of assets and liabilities of Terra Income Fund 6, Inc. and subsidiaries (the Company), including the consolidated schedules of investments, as of December 31, 2021 and 2020, the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the three-year period ended December 31, 2021 and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Such procedures also included confirmation of investments owned as of December 31, 2021 and 2020, by correspondence with the custodian, broker, or by other appropriate auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Evaluation of the fair value of loan investments and obligations under participation agreements*

As discussed in Notes 2 and 3 to the consolidated financial statements, the Company measures loan investments at fair value and has made an election to apply the fair value option of accounting to obligations under participation agreements. In determining the fair value of loan investments and obligations under participation agreements, which have no readily determinable market value, the Company makes subjective judgments about estimates using unobservable inputs. As of December 31, 2021, the fair value of such loan investments and obligations under participation agreements was $109.6 million and $4.9 million, respectively.

We identified the evaluation of the fair value of loan investments and obligations under participation agreements, which have no readily determinable market value, as a critical audit matter. Evaluating the discount rate assumptions used in the discounted cash flow analyses, required a high degree of subjective auditor judgment. Changes in the discount rates could have a significant impact on the fair value of loan investments and obligations under participation agreements.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls over the valuation of loan investments and obligations under participation agreements. This included controls related to the Company's determination of the discount rates used to estimate the fair value of each loan investment and obligation under participation agreement. We evaluated the discount rate assumptions used by the Company by comparing to underlying documentation and market data. For a selection of the loan investments and obligations under participation agreements, we involved valuation professionals with specialized skills and knowledge who assisted in evaluating the Company’s estimate of fair value by deriving an estimate of fair value, using an independently developed range of discount rates and compared the results to the Company’s estimated fair value.

KPMG LLP

We have served as the Company’s auditor since 2016.

New York, New York
March 30, 2022

**Terra Income Fund 6, Inc.**
**Consolidated Statements of Assets and Liabilities**

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Assets** | | |
| Investments, at fair value — non-controlled (amortized cost of $60,352,932 and $20,118,124, respectively) | $ 61,281,259 | $ 20,209,473 |
| Investment through participation interest, at fair value — non-controlled (amortized cost of $48,780,897 and $46,486,623, respectively) (Note 4) | 48,349,374 | 45,963,805 |
| Marketable securities, at fair value — non-controlled (cost of $789,335 and $789,335, respectively) | 879,272 | 864,170 |
| Total investments | 110,509,905 | 67,037,448 |
| Cash and cash equivalents | 12,232,256 | 13,703,374 |
| Restricted cash | 224,618 | 599,315 |
| Interest receivable | 1,450,451 | 374,188 |
| Prepaid expenses and other assets | 314,945 | 411,267 |
| **Total assets** | 124,732,175 | 82,125,592 |
| **Liabilities** | | |
| Unsecured notes payable (net of unamortized debt issuance costs of $1,877,388 and $0) | 36,497,612 | — |
| Term loan payable (net of unamortized debt issuance costs of $829,836 and $0) | 4,170,164 | — |
| Obligations under participation agreements, at fair value (proceeds of $4,863,009 and $4,250,000, respectively) (Note 4) | 4,883,877 | 4,293,971 |
| Interest reserve and other deposits held on investments | 224,618 | 599,315 |
| Due to related party | 3,108,922 | — |
| Due to Adviser, net | 843,040 | 503,892 |
| Accrued expenses | 651,637 | 449,762 |
| Interest payable from obligations under participation agreements | — | 93,618 |
| Other liabilities | 765,661 | 9,301 |
| **Total liabilities** | 51,145,531 | 5,949,859 |
| **Net assets** | $ 73,586,644 | $ 76,175,733 |
| **Commitments and contingencies (See Note 6)** | | |
| **Components of net assets:** | | |
| Common stock, $0.001 par value, 450,000,000 shares authorized, and 8,078,627 and 8,396,435 shares issued and outstanding, respectively | $ 8,079 | $ 8,396 |
| Capital in excess of par | 72,902,542 | 76,366,019 |
| Accumulated distributable net income (loss) | 676,023 | (198,682) |
| **Net assets** | $ 73,586,644 | $ 76,175,733 |
| **Net asset value per share** | $ 9.11 | $ 9.07 |

*See notes to consolidated financial statements.*

**Terra Income Fund 6, Inc.**
**Consolidated Statements of Operations**

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| **Investment income** | | | |
| Interest income | $ 12,489,678 | $ 8,692,506 | $ 9,242,765 |
| Prepayment fee income | 485,236 | 1,280,290 | 675,779 |
| Dividend and other income | 696,964 | 123,579 | 87,313 |
| **Total investment income** | 13,671,878 | 10,096,375 | 10,005,857 |
| **Operating expenses** | | | |
| Base management fees | 2,182,947 | 1,517,858 | 1,594,165 |
| Incentive fees (reversal of incentive fees) on capital gains (1) | 291,710 | 6,214 | (32,884) |
| Operating expense reimbursement to Adviser (Note 4) | 1,222,217 | 799,893 | 897,816 |
| Servicing fees (Note 2, Note 4) | 501,718 | 705,555 | 844,429 |
| Interest expense on unsecured notes payable | 2,703,111 | — | — |
| Professional fees | 1,240,762 | 1,180,990 | 1,079,139 |
| Interest expense from obligations under participation agreements (Note 4) | 1,513,228 | 571,083 | 159,904 |
| Interest expense on term loan | 313,638 | — | — |
| Directors’ fees | 120,622 | 120,500 | 122,000 |
| Insurance expense | 242,019 | 215,301 | 213,837 |
| General and administrative expenses | 177,429 | 60,177 | 115,999 |
| **Total operating expenses** | 10,509,401 | 5,177,571 | 4,994,405 |
| **Net investment income before income taxes** | 3,162,477 | 4,918,804 | 5,011,452 |
| Income tax expense | 534,784 | — | — |
| **Net investment income** | 2,627,693 | 4,918,804 | 5,011,452 |
| Net change in unrealized appreciation (depreciation) on investments | 943,375 | (1,228,240) | (86,846) |
| Net change in unrealized (appreciation) depreciation on obligations under participation agreements | (67,533) | 65,066 | (73,474) |
| Net realized gain on investments | 582,710 | 1,173,714 | — |
| **Net increase in net assets resulting from operations** | $ 4,086,245 | $ 4,929,344 | $ 4,851,132 |
| | | | |
| Per common share data: | | | |
| Net investment income per share | $ 0.31 | $ 0.59 | $ 0.57 |
| Net increase in net assets resulting from operations per share | $ 0.49 | $ 0.59 | $ 0.56 |
| Weighted average common shares outstanding | 8,389,604 | 8,306,256 | 8,738,650 |

(1) For the year ended December 31, 2019, the Company reversed previously accrued incentive fees on capital gains of $32,884. Incentive fees on capital gains are based on 20% of net realized and unrealized capital gains. No incentive fees on capital gains are actually payable by the Company with respect to unrealized gains unless and until those gains are realized.

*See notes to consolidated financial statements.*

**Terra Income Fund 6, Inc.**
**Consolidated Statements of Changes in Net Assets**

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| **Operations** | | | |
| Net investment income | $ 2,627,693 | $ 4,918,804 | $ 5,011,452 |
| Net change in unrealized appreciation (depreciation) on investments | 943,375 | (1,228,240) | (86,846) |
| Net change in unrealized (appreciation) depreciation on obligations under participation agreements | (67,533) | 65,066 | (73,474) |
| Net realized gain on investments | 582,710 | 1,173,714 | — |
| Net increase in net assets resulting from operations | 4,086,245 | 4,929,344 | 4,851,132 |
| **Stockholder distributions** | | | |
| Distributions from return of capital | (603,964) | — | (2,801,281) |
| Distributions from net investment income | (3,211,539) | (5,625,029) | (4,817,753) |
| Net decrease in net assets resulting from stockholder distributions | (3,815,503) | (5,625,029) | (7,619,034) |
| **Capital share transactions** | | | |
| Issuance of common stock, net of offering costs | — | — | 59,100 |
| Reinvestment of stockholder distributions | 922,624 | 1,507,970 | 2,213,069 |
| Repurchases of common stock under stock repurchase plan | (3,782,455) | (14,640) | (9,165,198) |
| Net (decrease) increase in net assets resulting from capital share transactions | (2,859,831) | 1,493,330 | (6,893,029) |
| **Net (decrease) increase in net assets** | (2,589,089) | 797,645 | (9,660,931) |
| **Net assets, at beginning of year** | 76,175,733 | 75,378,088 | 85,039,019 |
| **Net assets, at end of year** | $ 73,586,644 | $ 76,175,733 | $ 75,378,088 |
| **Accumulated (over-distributed) net investment income** | $ (1,591,201) | $ (1,007,355) | $ (301,129) |

| | | | |
|---|---|---|---|
| **Capital share activity** | | | |
| Shares outstanding, at beginning of year | 8,396,435 | 8,232,636 | 8,975,103 |
| Shares issued from subscriptions | — | — | 6,276 |
| Shares issued from reinvestment of stockholder distributions | 101,756 | 165,399 | 236,743 |
| Shares repurchased under stock repurchase plan and other | (419,564) | (1,600) | (985,486) |
| Shares outstanding, at end of year | 8,078,627 | 8,396,435 | 8,232,636 |

*See notes to consolidated financial statements.*

**Terra Income Fund 6, Inc.**
**Consolidated Statements of Cash Flows**

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| **Cash flows from operating activities:** | | | |
| Net increase in net assets resulting from operations | $ 4,086,245 | $ 4,929,344 | $ 4,851,132 |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities: | | | |
| Net change in unrealized (appreciation) depreciation on investments | (943,375) | 1,228,240 | 86,846 |
| Net change in unrealized appreciation (depreciation) on obligations under participation agreements | 67,533 | (65,066) | 73,474 |
| Net realized gain on investments | (582,710) | (1,173,714) | — |
| Amortization and accretion of investment-related fees, net | (1,005,190) | (291,355) | (463,910) |
| Amortization of discount on debt issuance | 213,918 | — | — |
| Amortization of deferred financing costs | 193,905 | — | — |
| Amortization of discount on investments, net | — | (42,857) | (8,573) |
| Paid-in-kind interest, net | (94,524) | (353,930) | (91,878) |
| Purchases of investments | (143,878,505) | (19,338,945) | (19,385,437) |
| Repayments and proceeds from sale of investments | 103,333,211 | 14,796,993 | 37,523,419 |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in interest receivable | (1,076,263) | 155,631 | 139,585 |
| Decrease (increase) in prepaid expenses and other assets | 96,322 | (352,455) | 10,321 |
| Decrease in interest reserve and other deposits held on investments | (374,698) | (24,826) | (675,880) |
| Increase in due to related party | 3,108,922 | — | — |
| Increase (decrease) in due to Adviser, net | 339,148 | (13,512) | (75,623) |
| Increase (decrease) in accrued expenses | 201,875 | 182,812 | (108,125) |
| (Decrease) increase in interest payable from obligations under participation agreements | (93,618) | 58,681 | 34,937 |
| Increase (decrease) in other liabilities | 745,093 | (71,465) | (209,478) |
| **Net cash (used in) provided by operating activities** | (35,662,711) | (376,424) | 21,700,810 |
| **Cash flows from financing activities:** | | | |
| Proceeds from issuance of unsecured notes payable, net of discount | 37,175,781 | — | — |
| Repayment of obligations under participation agreements | (25,728,138) | — | — |
| Proceeds from obligations under participation agreements | 25,949,149 | 1,129,112 | 3,120,888 |
| Proceeds from borrowings under term loan payable, net of discount | 4,375,000 | — | — |
| Payments of stockholder distributions | (2,892,879) | (4,117,058) | (5,405,965) |
| Payments of financing costs | (1,290,829) | — | — |
| Payments for repurchases of common stock under stock repurchase plan | (3,771,188) | (14,640) | (9,165,198) |
| Issuance of common stock, net of offering costs | — | — | 59,100 |
| **Net cash provided by (used in) financing activities** | 33,816,896 | (3,002,586) | (11,391,175) |
| **Net increase (decrease) in cash, cash equivalents and restricted cash** | (1,845,815) | (3,379,010) | 10,309,635 |
| **Cash, cash equivalents and restricted cash, at beginning of year** | 14,302,689 | 17,681,699 | 7,372,064 |
| **Cash, cash equivalents and restricted cash, at end of year (Note 2)** | $ 12,456,874 | $ 14,302,689 | $ 17,681,699 |
| | | | |
| **Supplemental disclosure of cash flow information:** | | | |
| Interest paid on debt | $ 3,914,408 | $ 486,740 | $ 115,067 |
| Income taxes paid | $ 101,121 | $ — | $ — |
| **Supplemental non-cash information:** | | | |
| Reinvestment of stockholder distributions | $ 922,624 | $ 1,507,971 | $ 2,213,069 |

*See notes to consolidated financial statements.*

**Terra Income Fund 6, Inc.**
**Consolidated Schedule of Investments**
**December 31, 2021**

| Portfolio Company [1] | Collateral Location | Property Type | Coupon Rate [2] | Current Interest Rate | Exit Fee | Acquisition Date | Maturity Date | Principal | Amortized Cost | Fair Value [3] | % of Net Assets [4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loan investments — non-controlled** | | | | | | | | | | | |
| **Mezzanine loans:** | | | | | | | | | | | |
| Dwight Mezz II, LLC | US - CA | Student housing | 11.00% | 11.00% | 0.00% | 5/11/2017 | 5/6/2027 | $ 3,000,000 | $ 3,000,000 | $ 3,000,730 | 4.1 % |
| Havemeyer TSM LLC [5][7] | US - NY | Mixed-use | 15.00% | 15.00% | 1.00% | 12/18/2020 | 12/1/2022 | 6,808,000 | 6,810,164 | 6,874,428 | 9.3 % |
| | | | | | | | | | 9,810,164 | 9,875,158 | 13.4 % |
| **Preferred equity investments:** | | | | | | | | | | | |
| RS JZ Driggs, LLC [6][7][8] | US - NY | Multifamily | 12.25% | 12.25% | 1.00% | 5/1/2018 | 1/1/2021 | 7,806,257 | 7,847,256 | 7,877,552 | 10.7 % |
| 370 Lex Part Deux, LLC [6][7] | US - NY | Office | LIBOR + 8.25% (2.44% Floor) | 10.69% | 0.00% | 12/17/2018 | 1/9/2023 | 21,004,423 | 21,002,365 | 20,250,306 | 27.5 % |
| Ann Street JV LLC | US - GA | Multifamily | 14.00% | 14.00% | 1.00% | 11/12/2021 | 6/7/2024 | 5,444,016 | 5,320,560 | 5,482,725 | 7.5 % |
| | | | | | | | | | 34,170,181 | 33,610,583 | 45.7 % |
| **First mortgages:** | | | | | | | | | | | |
| American Gilsonite Company | US - UT | Infrastructure | 14.00% | 14.00% | 1.00% | 8/31/2021 | 8/31/2023 | 21,250,000 | 21,108,623 | 21,417,965 | 29.1 % |
| Hillsborough Owners LLC [9][10] | US - NC | Mixed-use | LIBOR + 8.00% (0.25% Floor) | 8.25% | 1.00% | 10/27/2021 | 11/1/2023 | 16,210,029 | 16,026,455 | 16,279,593 | 22.1 % |
| | | | | | | | | | 37,135,078 | 37,697,558 | 51.2 % |
| **Credit facility:** | | | | | | | | | | | |
| Post Brothers Holdings LLC [11][12][13] | N/A | N/A | 15.00% | 15.00% | 1.00% | 7/16/2021 | 7/16/2024 | 15,000,000 | 14,897,294 | 15,100,246 | 20.6 % |
| William A. Shopoff & Cindy I. Shopoff [6][7][13] | US - CA | Industrial | 15.00% | 15.00% | 1.00% | 10/4/2021 | 4/4/2023 | 13,237,500 | 13,121,112 | 13,347,088 | 18.1 % |
| | | | | | | | | | 28,018,406 | 28,447,334 | 38.7 % |
| **Total loan investments — non-controlled** | | | | | | | | | **$109,133,829** | **$109,630,633** | **149.0 %** |

| Portfolio Company [1] | Industry | Dividend Yield | Acquisition Date | Maturity Date | Shares | Cost | Fair Value | % of Net Assets [4] |
|---|---|---|---|---|---|---|---|---|
| **Marketable securities — non-controlled [14]:** | | | | | | | | |
| **Common and preferred shares** | | | | | | | | |
| Nexpoint Real Estate Finance, Inc. - Series A Preferred Shares | REIT | 8.5 % | 7/30/2020 | 7/24/2025 | 33,560 | $ 789,335 | $ 879,272 | 1.2 % |
| **Total marketable securities — non-controlled** | | | | | | **$ 789,335** | **$ 879,272** | **1.2 %** |
| **Total investments — non-controlled** | | | | | | **$ 109,923,164** | **$ 110,509,905** | **150.2 %** |

(1) All of the Company's investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940 and the rules promulgated thereunder. All of the Company's borrowers are in the diversified real estate industry.
(2) Some of the Company's investments provide for coupon rate indexed to the London Interbank Offered Rate ("LIBOR") or prime rate and in both cases subject to a floor.
(3) Because there is no readily available market for these investments, these investments are valued using significant unobservable inputs under Level 3 of the fair value hierarchy and are approved in good faith by the Company's board of directors.
(4) Percentages are based on net assets of $73.6 million as of December 31, 2021.
(5) Participation interest is with Mavik Real Estate Special Opportunities Fund REIT, LLC (formerly known as Terra Real Estate Credit Opportunities Fund REIT, LLC), a related-party real estate investment trust managed by an affiliate of the Company's sponsor. The Company is committed to fund up to $7.4 million on this investment. As of December 31, 2021, the unfunded commitment was $0.6 million.
(6) Participation interest is with Terra Property Trust, Inc., a related-party real estate investment trust managed by an affiliate of the Company's sponsor.
(7) The Company acquired these investments through participation agreements. See "Participation Agreements" in Note 4 in the accompanying notes to the consolidated financial statements.
(8) This investment is currently in maturity default. The Company has exercised its rights and is facilitating the completion of construction of the underlying asset in anticipation of lease up and disposition of the asset.
(9) The loan participation from the Company does not qualify for sale accounting and therefore, this loan remains in the Schedule of Investments. See "*Obligations under Participation Agreements*" in Note 3 in the accompanying notes to the consolidated financial statements.
(10) The Company sold a portion of its interest in this investment to Terra Property Trust, Inc pursuant to a participation agreement.
(11) On July 16, 2021, the Company originated a $15.0 million unsecured corporate credit facility. The borrower is a multifamily operator in Philadelphia, PA.
(12) The borrower also pays a 1.0% fee on the unused portion of the credit facility.
(13) As of December 31, 2021, the facility was fully funded.
(14) From time to time, the Company may invest in debt and equity securities.

*See notes to consolidated financial statements.*

**Terra Income Fund 6, Inc.**
**Consolidated Schedule of Investments**
**December 31, 2020**

| Portfolio Company [1] | Collateral Location | Property Type | Coupon Rate [2] | Current Interest Rate | Exit Fee | Acquisition Date | Maturity Date | Principal | Amortized Cost | Fair Value [3] | % of Net Assets [4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loan investments — non-controlled** | | | | | | | | | | | |
| **Mezzanine loans:** | | | | | | | | | | | |
| Dwight Mezz II, LLC | US - CA | Student housing | 11.00% | 11.00% | 0.00% | 5/11/2017 | 5/6/2027 | $ 3,000,000 | $ 3,000,000 | $ 3,033,593 | 4.0 % |
| Stonewall Station Mezz LLC [5][7] | US - NC | Land | Current 12.00% PIK 2.00% | 14.00% | 1.00% | 5/31/2018 | 5/20/2021 | 4,594,729 | 4,623,925 | 4,607,695 | 6.0 % |
| LD Milpitas Mezz, LP [5][6] | US - CA | Hotel | LIBOR + 10.25% (2.75% Floor) | 13.00% | 1.00% | 6/27/2018 | 6/27/2021 | 17,000,000 | 17,118,124 | 17,175,880 | 22.6 % |
| Havemeyer TSM LLC [7][8] | US - NY | Mixed-use | 15.00% | 15.00% | 1.00% | 12/18/2020 | 12/1/2022 | 6,295,100 | 6,222,830 | 6,347,853 | 8.3 % |
| | | | | | | | | | 30,964,879 | 31,165,021 | 40.9 % |
| **Preferred equity investments:** | | | | | | | | | | | |
| City Gardens 333 LLC [5][7] | US - CA | Student housing | LIBOR + 9.95% (2.00% Floor) | 11.95% | 0.00% | 4/11/2018 | 4/1/2021 | 3,962,508 | 3,957,458 | 3,958,747 | 5.2 % |
| RS JZ Driggs, LLC [5][7][9] | US - NY | Multifamily | 12.25% | 12.25% | 1.00% | 5/1/2018 | 1/1/2021 | 4,272,257 | 4,313,257 | 4,306,434 | 5.7 % |
| Orange Grove Property Investors, LLC [5][7] | US - CA | Condominium | LIBOR + 8.00% (4.00% Floor) | 12.00% | 1.00% | 5/24/2018 | 6/1/2021 | 8,480,000 | 8,539,823 | 8,565,819 | 11.2 % |
| 370 Lex Part Deux, LLC [5][7] | US - NY | Office | LIBOR + 8.25% (2.44% Floor) | 10.69% | 0.00% | 12/17/2018 | 1/9/2022 | 18,856,077 | 18,829,330 | 18,177,257 | 23.9 % |
| | | | | | | | | | 35,639,868 | 35,008,257 | 46.0 % |
| **Total loan investments — non-controlled** | | | | | | | | | **$ 66,604,747** | **$ 66,173,278** | **86.9 %** |

| Portfolio Company [1] | Industry | Interest/ Dividend Rate | Acquisition Date | Maturity Date | Shares | Cost | Fair Value | % of Net Assets [4] |
|---|---|---|---|---|---|---|---|---|
| **Marketable securities — non-controlled [10]:** | | | | | | | | |
| **Preferred shares:** | | | | | | | | |
| Nexpoint Real Estate Finance, Inc. - Series A Preferred Shares | REIT | 8.5 % | 7/30/2020 | 7/24/2025 | 33,560 | $ 789,335 | $ 864,170 | 1.1 % |
| **Total marketable securities — non-controlled** | | | | | | 789,335 | 864,170 | 1.1 % |
| **Total investments — non-controlled** | | | | | | **$ 67,394,082** | **$ 67,037,448** | **88.0 %** |

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(1) All of the Company's investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940 and the rules promulgated thereunder. All of the Company's borrowers are in the diversified real estate industry.

(2) Some of the Company's investments provide for coupon rate indexed to the LIBOR and are subject to a LIBOR floor.

(3) Because there is no readily available market for these investments, these investments are valued using significant unobservable inputs under Level 3 of the fair value hierarchy and are approved in good faith by the Company's board of directors.

(4) Percentages are based on net assets of $76.2 million as of December 31, 2020.

(5) Participation interest is with Terra Property Trust, Inc., a related-party real estate investment trust managed by an affiliate of the Company's sponsor.

(6) The loan participation from the Company does not qualify for sale accounting and therefore, this loan remains in the Schedule of Investments. See "*Obligations under Participation Agreements*" in Note 3 in the accompanying notes to the consolidated financial statements.

(7) The Company acquired these investments through participation agreements. See "Participation Agreements" in Note 4 in the accompanying notes to the consolidated financial statements.

(8) Participation interest is with Terra Real Estate Credit Opportunities Fund REIT, LLC, a related-party real estate investment trust managed by an affiliate of the Company's sponsor. The Company is committed to fund up to $7.4 million on this investment. As of December 31, 2020, the unfunded commitment was $1.1 million.

(9) This investment matured on January 1, 2021. Given the investment is in default, the Company issued a demand notice and is currently in control of the sale process.

(10) From time to time, the Company may invest in debt and equity securities.

*See notes to consolidated financial statements.*

**Terra Income Fund 6, Inc.**

**Notes to Consolidated Financial Statements**

**Note 1. Principal Business and Organization**

Terra Income Fund 6, Inc. (the "Company") was incorporated under the general corporation laws of the State of Maryland on May 15, 2013. On March 2, 2015, the Company filed a public registration statement on Form N-2 with the Securities and Exchange Commission (the "SEC") to offer a minimum of $2.0 million of common stock and a maximum of $1.0 billion of common stock in a continuous public offering (the "Offering"). The Company formally commenced operations on June 24, 2015, upon raising gross proceeds in excess of $2.0 million (the "Minimum Offering Requirement") from sales of shares of its common stock in the Offering, including sales to persons who are affiliated with the Company or its adviser, Terra Income Advisors, LLC ("Terra Income Advisors" or the "Adviser"). Since commencing the Offering and through the end of the Offering on April 20, 2018, the Company has sold 8,878,606 shares of common stock, including shares purchased by Terra Capital Partners, LLC ("Terra Capital Partners"), the Company's sponsor, and excluding shares sold through the distribution reinvestment plan ("DRIP"), in both an initial private placement and from the Offering, for gross proceeds of $103.6 million. The Company has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Company is an externally managed, non-diversified, closed-end management investment company that initially elected to be taxed for federal income tax purposes, and qualified annually thereafter, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code").

On December 11, 2018, the Company's board of directors (the "Board") voted to approve a change in its fiscal year from September 30 to December 31 in connection with its plan to qualify as a real estate investment trust ("REIT") for U.S. federal income tax purposes under Subchapter M of the Code. The Board delegated to its management the authority to determine when such change in fiscal year would take effect. On December 31, 2018, the Company's management determined to change its tax election from taxation as a RIC to taxation as a REIT under Subchapter M of the Code. The REIT tax election allows the Company to benefit from the preferential tax treatment afforded to both RICs and REITs, without the Company being subject to RIC-specific diversification restrictions. The Company elected to be taxed as a REIT under the Code commencing with its short taxable year beginning October 1, 2018 and ending December 31, 2018. Concurrent with the change in its tax election, the Company changed its fiscal year from September 30 to December 31 to satisfy the REIT requirement under the Code.

The Company's investment activities are externally managed by Terra Income Advisors, a private investment firm affiliated with the Company, pursuant to an investment advisory and administrative services agreement (the "Investment Advisory Agreement"), under the oversight of the Company's Board, a majority of whom are independent directors. Terra Income Advisors is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (see Note 4).

The Company previously retained Terra Capital Markets, LLC ("Terra Capital Markets"), an affiliate of Terra Income Advisors, to serve as the dealer manager of the Offering pursuant to the second amended and restated dealer manager agreement dated September 30, 2017 between the Company and Terra Capital Markets (the "Dealer Manager Agreement"). As the dealer manager, Terra Capital Markets was responsible for marketing the Company's shares being offered pursuant to the Offering, which ended on April 20, 2018. On December 23, 2020, Terra Capital Markets assigned certain of its administrative functions and certain obligations under the Dealer Manager Agreement to the Company (see Note 4).

In February 2021, the Company issued $38.4 million in aggregate principal amount of 7.00% fixed-rate notes due 2026, for net proceeds of $37.2 million, after deducting underwriting commissions of $1.2 million, see "***Unsecured Notes Payable***" in Note 5 for more information.

On April 1, 2021, Mavik Capital Management, LP ("Mavik"), an entity controlled by Vikram S. Uppal, the Chief Executive Officer of the Company, completed a series of related transactions that resulted in all of the outstanding interests in Terra Capital Partners being acquired by Mavik for a combination of cash and interests in Mavik (the "Recapitalization"). Following the series of transactions described below, Terra Income Advisors is ultimately controlled by Mavik.

Prior to the Recapitalization, Terra Capital Partners was the immediate parent and managing member of Terra Income Advisors, and was ultimately controlled by Axar Real Estate Capital Group LLC ("Axar RE Manager"). In connection with the Recapitalization, Axar RE Manager assumed direct control of Terra Income Advisors by becoming its manager. Thus, the same parties that controlled Terra Income Advisors prior to the consummation of the Recapitalization maintained control of Terra Income Advisors, and by the terms of the Recapitalization continued to do so until a new investment advisory and administrative services agreement between the Company and Terra Income Advisors was approved by the affirmative vote of a majority of the outstanding shares of common stock entitled to vote at the 2021 annual meeting of stockholders of the Company on September 22, 2021. Subsequent to the approval of the new investment advisory agreement, Axar RE Manager ceased to be the manager of the Advisor and Terra Capital Partners again became the managing member of Terra Income Advisors.

The Company's primary investment objectives are to pay attractive and stable cash distributions and to preserve, protect and return capital contributions to stockholders. The Company's investment strategy is to use substantially all of the proceeds of the Offering to originate and manage a diversified portfolio consisting of (i) commercial real estate loans to U.S. companies qualifying as "eligible portfolio companies" under the 1940 Act, including mezzanine loans, first and second lien mortgage loans, subordinated mortgage loans, bridge loans and other commercial real estate-related loans related to or secured by high quality commercial real estate in the United States; (ii) preferred equity real estate investments in U.S. companies qualifying as "eligible portfolio companies" under the 1940 Act; and (iii) any other investments that meet the investment objectives of the Company**.** The Company may also purchase select commercial real estate-related debt securities, such as commercial mortgage-backed securities or collateralized debt obligations. The Company intends to either directly or through an affiliate, structure, underwrite and originate most of its investments, as it believes that doing so will provide it with the best opportunity to invest in loans that satisfy its standards, establish a direct relationship with the borrower and optimize the terms of its investments. The Company may hold its investments until their scheduled maturity dates or may sell them if the Company is able to command favorable terms for their disposition.

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation:* The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), and include the accounts of the Company and its consolidated subsidiaries. The accompanying consolidated financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-K and Articles 6 or 10 of Regulation S-X. The Company is an investment company, as defined under U.S. GAAP, and applies accounting and reporting guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 946, *Financial Services — Investment Companies*. The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition as of and for the periods presented.

*Consolidation:* As provided under Regulation S-X and ASC Topic 946, the Company will generally not consolidate its investment in a company other than a wholly-owned investment company or controlled operating company whose business consists of providing services to the Company. Accordingly, the Company consolidated the accounts of the Company's wholly-owned subsidiaries that meet the aforementioned criteria in its consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

*Cash and Cash Equivalents:* The Company considers all highly liquid investments, with original maturities of ninety days or less when purchased, as cash equivalents. Cash and cash equivalents held at financial institutions, at times, may exceed the amount insured by the Federal Deposit Insurance Corporation.

*Restricted Cash:* Restricted cash represents cash held as additional collateral by the Company on behalf of the borrowers related to the investments for the purpose of such borrowers making interest and property-related operating payments. There is a corresponding liability of the same amount on the statements of assets and liabilities called "Interest reserve and other deposits held on investments."

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Company's statements of assets and liabilities to the total amount shown in its statements of cash flows:

| | December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| Cash and cash equivalents | $ 12,232,256 | $ 13,703,374 | $ 17,057,558 |
| Restricted cash | 224,618 | 599,315 | 624,141 |
| Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows | $ 12,456,874 | $ 14,302,689 | $ 17,681,699 |

*Investment Transactions and Investment Income (Expense):* The Company records investment transactions on the trade date. Realized gains or losses on dispositions of investments represent the difference between the amortized cost of the investment, based on the specific identification method, and the proceeds received from the sale or maturity (exclusive of any prepayment penalties). Realized gains and losses and changes in unrealized gains and losses are recognized in the statements of operations. Interest income is accrued based upon the outstanding principal amount and contractual terms of the debt instruments and preferred equity investments. Interest is accrued on a daily basis. Discounts and premiums on investments purchased are accreted or amortized over the expected life of the respective investment using the effective yield method and are included in interest income in the statements of operations. Loan origination fees and exit fees are capitalized and the Company then amortizes such amounts using the effective yield method as interest income over the life of the investment. Income accrual is generally suspended for investments at the earlier of the date at which payments become 90 days past due or when, in the opinion of the Adviser, recovery of income and principal becomes doubtful. Interest is then recorded on the basis of cash received until accrual is resumed when the investment becomes contractually current and performance is demonstrated to be resumed. The amortized cost of investments represents the original cost adjusted for the accretion of discounts on investments and exit fees, and the amortizations of premiums on investments and origination fees. As prepayment(s), partial or full, occurs on an investment, prepayment income is recognized. All other income is recognized when earned.

The Company may hold debt investments in its portfolio that contain paid-in-kind ("PIK") interest provisions. The PIK interest, which represents contractually deferred interest that is added to the principal balance that is due at maturity, is recorded on the accrual basis.

*Participation Interests:* Loan participations from the Company which do not qualify for sale treatment remain on the Company's statements of assets and liabilities and the proceeds are recorded as obligations under participation agreements. For the investments which participation has been granted, the interest earned on the entire loan balance is recorded within "interest income" and the interest related to the participation interest is recorded within "interest expense from obligations under participation agreements" in the accompanying statements of operations. Interest expense from obligations under participation agreement is reversed when recovery of interest income on the related loan becomes doubtful. See "*Obligations under Participation Agreements*" in Note 3 for additional information.

*Valuation of Investments:* The Company determines the value of its investments on a quarterly basis in accordance with fair value accounting guidance promulgated under U.S. GAAP, which establishes a three-tier hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. These tiers include:

- Level 1 — observable inputs, such as quoted prices in active markets. Publicly listed equities, debt securities and publicly listed derivatives will be included in Level 1.
- Level 2 — observable inputs such as for similar securities in active markets and quoted prices for identical securities in markets that are not active. In certain cases, debt and equity securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments. Investments which are generally expected to be included in this category include corporate bonds and loans, convertible debt indexed to publicly listed securities and certain over-the-counter derivatives.
- Level 3 — unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The inputs into the determination of fair value require significant judgment or estimation.

Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices, generally, will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires subjective judgment and consideration of factors specific to the investment. The fair values of the Company's loan investments are determined in good faith by the Board pursuant to the Company's valuation policy and consistently applied valuation process. It is expected that the Company's investments will primarily be classified as Level 3 investments. The fair value of the Company's marketable securities is determined based on quoted prices in an active market and is classified as Level 1 of the fair value hierarchy.

*Valuation of Obligations under Participation Agreements:* The Company has elected the fair value option under ASC Topic 825, *Financial Instruments,* relating to accounting for debt obligations at their fair value for obligations under participation agreements which arose due to partial loan sales which did not meet the criteria for sale treatment under ASC Topic 860, *Transfers and Servicing*. The Company employs the yield approach valuation methodology used for the real-estate related loan investments on its obligations under participation agreements.

*Deferred Debt Issuance Costs:* The Company records issue discounts and other financing costs related to its debt obligation as deferred debt issuance costs, which are presented as a direct deduction from the carrying value of the related debt liability. These expenses are deferred and amortized using the effective interest method over the stated maturity of the debt obligation.

*Stockholder Dividends and Distributions:* Dividends and distributions to stockholders, which are determined in accordance with federal income tax regulations, are recorded on the declaration date. The amount to be paid out as a dividend or distribution is approved by the Board. Net realized capital gains, if any, are generally distributed or deemed distributed at least annually. The Company adopted an "opt in" DRIP pursuant to which stockholders may elect to have the full amount of stockholders cash distributions reinvested in additional shares of common stock. Participants in the DRIP are free to elect to participate or terminate participation in the plan within a reasonable time as specified in the plan. For stockholders who have opted in to the DRIP, they have their cash distributions reinvested in additional shares of common stock, rather than receiving the cash distributions. Pursuant to the DRIP, shares are issued at a price equal to the Company's most recently disclosed net asset value ("NAV") per share of its common stock immediately prior to the applicable distribution payment date.

*Incentive Fee on Capital Gains:* Pursuant to the terms of the Investment Advisory Agreement, the incentive fee on capital gains is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Investment Advisory Agreement). This fee equals 20.0% of the Company's incentive fee on capital gains, which equals the realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. On a quarterly basis, the Company accrues (but does not pay) for the capital gains incentive fee by calculating such fee as if it were due and payable as of the end of such period. While the Investment Advisory Agreement neither includes nor contemplates the inclusion of unrealized gains in the calculation of the capital gains incentive fee, pursuant to an interpretation of an American Institute of Certified Public Accountants Technical Practice Aid for investment companies, the Company accrues for this incentive fee to include unrealized gains in the calculation of the capital gains incentive fee expense and related accrued capital gains incentive fee. This accrual reflects the incentive fees that would be payable to Terra Income Advisors if the Company's entire portfolio were liquidated at its fair value as of the balance sheet date even though Terra Income Advisors is not entitled to an incentive fee with respect to unrealized gains unless and until such gains are actually realized.

*Servicing Fee:* The Company paid Terra Capital Markets a servicing fee at an annual rate of 1.125% of the most recently published NAV per share, excluding shares sold through the DRIP, in exchange for providing certain administrative support services (Note 4) to stockholders such as establishing and maintaining stockholder accounts, customer service support and assisting stockholders in changing account options, account designations and account addresses. The servicing fee is recorded as expense on the statements of operations in the period in which it was incurred.

On December 23, 2020, Terra Capital Markets assigned to us certain of its administration support services and certain obligations under the Dealer Manager Agreement, including making future payments of the previously reallowed servicing fee under the servicing plan directly to selected dealers, effectively reducing the servicing fee to 0.75% (Note 4).

*Income Taxes:* The Company elected to be taxed as a REIT under the Code commencing with its short taxable year beginning October 1, 2018 and ending December 31, 2018. In order to qualify as a REIT, the Company is required, among other things, to distribute dividends equal to at least 90% of its REIT net taxable income to the stockholders annually and meet certain tests regarding the nature of its income and assets. To the extent any of the Company's taxable income was not previously distributed, the Company will make a dividend declaration pursuant to Section 858(a)(1) of the Code, allowing the Company to treat certain dividends that are to be distributed after the close of a taxable year as having been paid during the taxable year. As a REIT, the Company is not subject to U.S. federal income taxes on income and gains distributed to the stockholders as long as certain requirements are satisfied, principally relating to the nature of income and the level of distributions, as well as other factors. If the Company fails to qualify as a REIT in any taxable year and does not qualify for certain statutory relief provisions, the Company will be subject to U.S. federal and state income taxes at regular corporate rates beginning with the year in which it fails to qualify and may be precluded from being able to elect to be treated as a REIT for the Company's four subsequent taxable years. For the years ended December 31, 2021, 2020 and 2019, the Company satisfied all the requirements for a REIT.

The Company holds certain portfolio company investments through consolidated taxable REIT subsidiaries ("TRSs"). Such subsidiaries may be subject to U.S. federal and state corporate-level income taxes. These consolidated subsidiaries recognize deferred tax assets and liabilities for the estimated future tax effects attributable to temporary differences between the tax basis of certain assets and liabilities and the reported amounts included in the accompanying consolidated statements of assets and liabilities using the applicable statutory tax rates in effect for the year in which any such temporary differences are expected to reverse.

The Company did not have any uncertain tax positions that met the recognition or measurement criteria under accounting for income taxes, nor did the Company have any unrecognized tax benefits as of the periods presented herein. The Company recognizes interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in its statements of operations. For the years ended December 31, 2021, 2020 and 2019, the Company did not incur any interest or penalties. Although the Company files federal and state tax returns, its major tax jurisdiction is federal. The Company's 2017-2020 federal tax years remain subject to examination by the Internal Revenue Service and the state department of revenue.

*Use of Estimates:* The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of income, expenses and gains and losses during the reporting period. Actual results may ultimately differ from those estimates, and those differences could be material.

The coronavirus ("COVID-19") pandemic has had a significant impact on local, national and global economies and has resulted in a world-wide economic slowdown. However, after two years into the COVID-19 pandemic, the real estate market has started to recover from the dislocation it experienced over the past year. A strong pace of vaccination along with aggressive fiscal stimulus, has improved the outlook for the real estate market. The Company continues to closely monitor the impact of the COVID-19 pandemic on all aspects of its investments and operations. The Company believes the estimates and assumptions underlying its consolidated financial statements are reasonable and supportable based on the information available as of December 31, 2021; however, the extent to which the COVID-19 pandemic may impact the Company's investments and operations going forward will depend on future developments, which are highly uncertain and cannot be predicted with confidence. These developments include the duration of the outbreak, the impact of the global vaccination effort, any new strains of the virus that are resistant to available vaccines, the impact of government stimulus, new information that may emerge concerning the severity of the COVID-19 pandemic, and actions taken by federal, state and local agencies as well as the general public to contain the COVID-19 pandemic or treat its impact, among others. Accordingly, any estimates and assumptions as of December 31, 2021 are inherently less certain than they would be absent the current and potential impacts of the COVID-19 pandemic.

The consolidated financial statements include loan investments at fair value of $109.6 million and $66.2 million at December 31, 2021 and 2020, respectively, and obligations under participation agreements at fair value of $4.9 million and $4.3 million at December 31, 2021 and 2020, respectively. These fair values have been determined in good faith by the Board. Because of the inherent uncertainty of valuation, the determined values may differ significantly from the values that would have been used had a ready market existed for the investments and obligations under participation agreements, and the differences could be material.

*Recent Accounting Pronouncements:* LIBOR is a benchmark interest rate referenced in a variety of agreements that are used by all types of entities. In July 2017, the U.K. Financial Conduct Authority, which regulates the LIBOR administrator, ICE Benchmark Administration Limited ("IBA"), announced that it would cease to compel banks to participate in setting LIBOR as a benchmark by the end of 2021, which has subsequently been delayed to June 30, 2023. In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848) — Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). The amendments in ASU 2020-04 provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848), which expanded the scope of Topic 848 to include derivative instruments impacted by discounting transition ("ASU 2021-01"). ASU 2020-04 and ASU 2021-01 are effective for all entities through December 31, 2022. The expedients and exceptions provided by the amendments do not apply to contract modifications and hedging relationships entered into or evaluated after December 31, 2022, except for hedging transactions as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. In the event LIBOR is unavailable, the Company's investment documents provide for a substitute index, on a basis generally consistent with market practice, intended to put the Company in substantially the same economic position as LIBOR. As a result, the Company has not adopted the new ASUs and does not expect the reference rate reform and the adoption of ASU 2020-04 and ASU 2021-01 to have a material impact on its consolidated financial statements and disclosures.

**Note 3. Investments and Fair Value**

The following tables show the composition of the investment portfolio, at amortized cost and fair value at December 31, 2021 and 2020, respectively (with corresponding percentage of total portfolio investments):

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Investments at Amortized Cost | Percentage of Amortized Cost | Investments at Fair Value | Percentage of Fair Value |
| Loans | $ 60,352,932 | 54.9 % | $ 61,281,259 | 55.4 % |
| Loans through participation interest (Note 4) | 48,780,897 | 44.4 % | 48,349,374 | 43.8 % |
| Marketable securities | 789,335 | 0.7 % | 879,272 | 0.8 % |
| Total | $ 109,923,164 | 100.0 % | $ 110,509,905 | 100.0 % |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Investments at Amortized Cost | Percentage of Amortized Cost | Investments at Fair Value | Percentage of Fair Value |
| Loans | $ 20,118,124 | 29.9 % | $ 20,209,473 | 30.1 % |
| Loans through participation interest (Note 4) | 46,486,623 | 68.9 % | 45,963,805 | 68.6 % |
| Marketable securities | 789,335 | 1.2 % | 864,170 | 1.3 % |
| Total | $ 67,394,082 | 100.0 % | $ 67,037,448 | 100.0 % |

***Obligations under Participation Agreements***

The Company has elected the fair value option relating to accounting for debt obligations at their fair value for its obligations under participation agreements which arose due to partial loan sales which did not meet the criteria for sale treatment. The Company employs the same yield approach valuation methodology used for the real estate-related loan investments on the Company's obligations under participation agreements. As of December 31, 2021 and 2020, obligations under participation agreements at fair value was $4.9 million and $4.3 million and the weighted average contractual interest rate on the obligations under participation agreements was 8.3% and 13.0%, respectively. For the year ended December 31, 2021, the Company transferred $25.9 million of investments to affiliates through participation agreements and made $25.7 million of repayments on obligations under participation agreements. For the years ended December 31, 2020 and 2019 the Company transferred $1.1 million and $3.1 million of investments to affiliates through participation agreements, respectively, and did not make any repayments on obligations under participation agreements.

***Valuation Methodology***

The fair value of the Company's investment in preferred stock and common stock within the marketable securities portfolio is determined based on quoted prices in an active market and is classified as Level 1 of the fair value hierarchy. Additionally, the fair value of the Company's unsecured notes payable is determined based on quoted price in an active market and is also classified as Level 1.

Market quotations are not readily available for the Company's real estate-related loan investments, all of which are included in Level 3 of the fair value hierarchy, and therefore these investments are valued utilizing a yield approach, i.e. a discounted cash flow methodology to arrive at an estimate of the fair value of each respective investment in the portfolio using an estimated market yield. In following this methodology, investments are evaluated individually, and management takes into account, in determining the risk-adjusted discount rate for each of the Company's investments, relevant factors, including available current market data on applicable yields of comparable debt/preferred equity instruments; market credit spreads and yield curves; the investment's yield; covenants of the investment, including prepayment provisions; the portfolio company's ability to make payments, net operating income and debt service coverage ratio; construction progress reports and construction budget analysis; the nature, quality and realizable value of any collateral (and loan-to-value ratio); the forces that influence the local markets in which the asset (the collateral) is purchased and sold, such as capitalization rates, occupancy rates, rental rates and replacement costs; and the anticipated duration of each real estate-related loan investment.

These valuation techniques are applied in a consistent and verifiable manner to all investments that are categorized within Level 3 of the fair value hierarchy and Terra Income Advisors provides the valuation committee of the Board (which is made up exclusively of independent directors) with portfolio security valuations that are based on this discounted cash flow methodology. Valuations are prepared quarterly, or more frequently as needed, with each asset in the portfolio subject to a valuation prepared by a third-party valuation service at a minimum of once during every 12-month period. The valuation committee reviews the preliminary valuation with Terra Income Advisors and, together with an independent valuation firm, if applicable, responds and supplements the preliminary valuation to reflect any comments provided by the valuation committee. The Board discusses valuations and determines the fair value of each investment in the portfolio in good faith based on various metrics and other factors, including the input and recommendation provided by Terra Income Advisors, the valuation committee and any third-party valuation firm, if applicable.

The following tables present fair value measurements of investments, by major class, as of December 31, 2021 and 2020, according to the fair value hierarchy:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Fair Value Measurements | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Investments: | | | | |
| Loans | $ — | $ — | $ 61,281,259 | $ 61,281,259 |
| Loans through participation interest | — | — | 48,349,374 | 48,349,374 |
| Marketable securities | 879,272 | — | — | 879,272 |
| Total Investments | $ 879,272 | $ — | $ 109,630,633 | $ 110,509,905 |
| | | | | |
| Obligations under participation agreements | $ — | $ — | $ 4,883,877 | $ 4,883,877 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Fair Value Measurements | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Investments: | | | | |
| Loans | $ — | $ — | $ 20,209,473 | $ 20,209,473 |
| Loans through participation interest | — | — | 45,963,805 | 45,963,805 |
| Marketable securities | 864,170 | — | — | 864,170 |
| Total Investments | $ 864,170 | $ — | $ 66,173,278 | $ 67,037,448 |
| | | | | |
| Obligations under participation agreements | $ — | $ — | $ 4,293,971 | $ 4,293,971 |

Changes in the Company's Level 3 investments for the years ended December 31, 2021, 2020 and 2019 were as follows:

| | Year Ended December 31, 2021 | | | |
|---|---|---|---|---|
| | Loans | Loans Through Participation | Total Loan Investments | Obligations under Participation Agreements |
| Balance as of January 1, 2021 | $ 20,209,473 | $ 45,963,805 | $ 66,173,278 | $ 4,293,971 |
| Purchases of investments | 92,066,445 | 41,831,345 | 133,897,790 | — |
| Repayments of investments | (52,520,000) | (40,081,678) | (92,601,678) | — |
| Net change in unrealized appreciation on investments | 836,978 | 91,295 | 928,273 | — |
| PIK interest income, net | — | 94,524 | 94,524 | — |
| Amortization and accretion of investment-related fees, net | 688,363 | 618,189 | 1,306,552 | 301,362 |
| Realized loss on loan repayment | — | (168,106) | (168,106) | — |
| Proceeds from obligations under participation agreements | — | — | — | 25,949,149 |
| Repayment of obligations under participation agreements | — | — | — | (25,728,138) |
| Net change in unrealized appreciation on obligations under participation agreements | — | — | — | 67,533 |
| Balance as of December 31, 2021 | $ 61,281,259 | $ 48,349,374 | $109,630,633 | $ 4,883,877 |
| Net change in unrealized appreciation or depreciation for the period relating to those Level 3 assets that were still held by the Company at the end of the period: | | | | |
| Net change in unrealized appreciation on loan investments and obligations under participation agreements | $ 894,733 | $ 102,345 | $ 997,078 | $ 75,941 |

| | Year Ended December 31, 2020 | | | |
|---|---|---|---|---|
| | Loans | Loans Through Participation | Total Loan Investments | Obligations under Participation Agreements |
| Balance as of January 1, 2020 | $ 18,598,767 | $ 43,237,452 | $ 61,836,219 | $ 3,204,263 |
| Purchases of investments | 4,516,448 | 8,817,308 | 13,333,756 | — |
| Repayments of investments | (2,500,000) | (5,907,426) | (8,407,426) | — |
| Net change in unrealized depreciation on investments | (569,385) | (733,690) | (1,303,075) | — |
| PIK interest income, net | — | 353,930 | 353,930 | — |
| Amortization and accretion of investment-related fees, net | 120,786 | 196,231 | 317,017 | 25,662 |
| Amortization of discount and premium on investments, net | 42,857 | — | 42,857 | — |
| Proceeds from obligations under participation agreements | — | — | — | 1,129,112 |
| Net change in unrealized depreciation on obligations under participation agreements | — | — | — | (65,066) |
| Balance as of December 31, 2020 | $ 20,209,473 | $ 45,963,805 | $ 66,173,278 | $ 4,293,971 |
| Net change in unrealized appreciation or depreciation for the period relating to those Level 3 assets that were still held by the Company at the end of the period: | | | | |
| Net change in unrealized depreciation on loan investments and obligations under participation agreements | $ (320,124) | $ (677,616) | $ (997,740) | $ (65,066) |

| | Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | Loans | Loans Through Participation | Total Loan Investments | Obligations under Participation Agreements |
| Balance as of January 1, 2019 | $ 23,571,020 | $ 55,915,765 | $ 79,486,785 | $ — |
| Purchases of investments | 12,376,727 | 7,008,710 | 19,385,437 | — |
| Repayments of investments | (17,717,701) | (19,805,718) | (37,523,419) | — |
| Net change in unrealized depreciation on investments | 121,556 | (208,402) | (86,846) | — |
| PIK interest income, net | — | 91,878 | 91,878 | — |
| Amortization and accretion of investment-related fees, net | 238,592 | 235,219 | 473,811 | 9,901 |
| Amortization of discount and premium on investments, net | 8,573 | — | 8,573 | — |
| Proceeds from obligations under participation agreements | — | — | — | 3,120,888 |
| Net change in unrealized depreciation on obligations under participation agreements | — | — | — | 73,474 |
| Balance as of December 31, 2019 | $ 18,598,767 | $ 43,237,452 | $ 61,836,219 | $ 3,204,263 |
| Net change in unrealized appreciation or depreciation for the period relating to those Level 3 assets that were still held by the Company at the end of the period: | | | | |
| Net change in unrealized depreciation on loan investments and obligations under participation agreements | $ 280,553 | $ (165,298) | $ 115,255 | $ 73,474 |

Transfers between levels, if any, are recognized at the beginning of the period in which transfers occur. For the years ended December 31, 2021, 2020 and 2019, there were no transfers.

### *Significant Unobservable Inputs*

The following table summarizes the significant unobservable inputs used by the Company to value the Level 3 investments as of December 31, 2021 and 2020. The table is not intended to be all-inclusive, but instead identifies the significant unobservable inputs relevant to the determination of fair values.

**December 31, 2021**

| Asset Category | Fair Value | Primary Valuation Technique | Unobservable Input | Range Minimum | Range Maximum | Weighted Average |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Loans | $ 61,281,259 | Discounted cash flow | Discount rate | 8.25 % | 15.00 % | 12.58 % |
| Loans through participation interest | 48,349,374 | Discounted cash flow | Discount rate | 12.37 % | 15.00 % | 14.40 % |
| **Total Level 3 Assets** | **$ 109,630,633** | | | | | |
| **Liabilities:** | | | | | | |
| Obligations under participation agreements | **$ 4,883,877** | Discounted cash flow | Discount rate | 8.25 % | 8.25 % | 8.25 % |

**December 31, 2020**

| Asset Category | Fair Value | Primary Valuation Technique | Unobservable Input | Range Minimum | Range Maximum | Weighted Average |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Loans | $ 20,209,473 | Discounted cash flow | Discount rate | 10.90 % | 12.89 % | 12.59 % |
| Loans through participation interest | 45,963,805 | Discounted cash flow | Discount rate | 12.13 % | 20.05 % | 14.71 % |
| **Total Level 3 Assets** | **$ 66,173,278** | | | | | |
| **Liabilities:** | | | | | | |
| Obligations under participation agreements | **$ 4,293,971** | Discounted cash flow | Discount rate | 12.89 % | 12.89 % | 12.89 % |

If the weighted average discount rate used to value the Company's investments were to increase, the fair value of the Company's investments would decrease. Conversely, if the weighted average discount rate used to value the Company's investments were to decrease, the fair value of Company's investments would increase.

### *Financial Instruments Not Carried at Fair Value*

As of December 31, 2021, the Company had $38.4 million of unsecured notes payable and $5.0 million of term loan payable outstanding (Note 5). The Company has not elected the fair value option for its unsecured notes payable and term loan payable. The table below presents detailed information regarding the unsecured notes payable and term loan payable at December 31, 2021:

| | Level | December 31, 2021 Principal Balance | Carrying Value | Fair Value |
|---|---|---|---|---|
| Unsecured notes payable [(1)(2)] | 1 | $ 38,375,000 | $ 36,497,612 | $ 39,403,450 |
| Term loan payable [(3)(4)] | 3 | 5,000,000 | 4,170,164 | 5,000,000 |
| | | $ 43,375,000 | $ 40,667,776 | $ 44,403,450 |

(1) Amount is net of unamortized issue discount of $1.0 million and unamortized deferred financing costs of $0.9 million.
(2) Valuation falls under Level 1 of the fair value hierarchy, which is based on the trading price of $25.67 as of the close of business day on December 31, 2021.
(3) Amount is net of unamortized issue discount of $0.6 million and unamortized deferred financing costs of $0.2 million.
(4) Valuation falls under Level 3 of the fair value hierarchy, which is based on a discounted cash flow model with a discount rate of 5.625%.

### Note 4. Related Party Transactions

The Company entered into various agreements with Terra Income Advisors whereby the Company pays and reimburses Terra Income Advisors for certain fees and expenses. Additionally, the Company paid Terra Capital Markets certain fees providing certain administrative support services.

The following table presents a summary of such fees and reimbursements in accordance with the terms of the related agreements:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| **Amounts Included in the Statements of Operations** | | | |
| Base management fees | $ 2,182,947 | $ 1,517,858 | $ 1,594,165 |
| Incentive fee (reversal of incentive fee) on capital gains (1) | 291,710 | 6,214 | (32,884) |
| Operating expense reimbursement to Adviser (2) | 1,222,217 | 799,893 | 897,816 |
| Servicing fees (3) | 501,718 | 705,555 | 844,429 |

(1) For the year ended December 31, 2019, the Company reversed previously accrued incentive fees on capital gains of $36,783. Incentive fees on capital gains are based on 20% of net realized and unrealized capital gains. No incentive fees on capital gains are actually payable by the Company with respect to unrealized gains unless and until those gains are realized.

(2) Amounts are primarily compensation for time spent supporting the Company's day-to-day operations.

(3) As discussed in "*Servicing Plan*" below, on September 30, 2017, the Company adopted the servicing plan. The servicing fee is recorded as expense on the consolidated statements of operations in the period in which it was incurred. As of both December 31, 2021 and 2020, unpaid servicing fees were $0.3 million and were included in accrued expenses on the consolidated statements of assets and liabilities. Starting on December 23, 2020, the Company pays the servicing fees to brokers directly.

***Due to Related Party***

As of December 31, 2021, amount due to a related party was $3.1 million, primary related to reserve funding held by the Company on a loan originated by an affiliate. The reserve funding was transferred to the affiliate in February 2022. As of December 31, 2020, there was no due to related party.

***Due to / Due from Adviser***

The Company determined that it has the right of offset on the amounts due to and due from Terra Income Advisors under the guidance in ASC Topic 210, *Balance Sheet*. As such, the net amount is presented as Due to Adviser, net on the consolidated statements of assets and liabilities.

The following table presents a summary of Due to Adviser, net as of December 31, 2021 and 2020:

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Due to Adviser:** | | |
| Base management fee and expense reimbursement payable | $ 551,330 | $ 342,157 |
| Incentive fees on capital gains (1) | 291,710 | 161,735 |
| | $ 843,040 | $ 503,892 |

(1) Incentive fees on capital gains are based on 20% of accumulated net realized and unrealized capital gains of $1.5 million and $0.8 million as of December 31, 2021 and 2020, respectively. No incentive fees on capital gains are actually payable by the Company with respect to unrealized gains unless and until those gains are realized.

***Management and Incentive Fee Compensation to Adviser***

Pursuant to the Investment Advisory Agreement, Terra Income Advisors is responsible for the Company's day-to-day operations. Pursuant to the Investment Advisory Agreement, Terra Income Advisors is paid for its services in two components — a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.0% of the Company's average gross assets. The base management fee is payable quarterly in arrears and calculated based on the average value of the Company's gross assets at the end of the two most recently completed calendar quarters.

The incentive fee consists of two parts. The first part, which is referred to as the subordinated incentive fee on income, is calculated and payable quarterly in arrears based upon the Company's "pre-incentive fee net investment income" for the immediately preceding quarter. The subordinated incentive fee on income is subject to a quarterly hurdle rate, expressed as a rate of return on adjusted capital at the beginning of the most recently completed calendar quarter, of 2.0% (8.0% annualized), subject to a "catch-up" feature. For this purpose, "pre-incentive fee net investment income" means interest income, dividend income and any other income (including any other fees, other than fees for providing managerial assistance, such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses reimbursed to Terra Income Advisors under the Investment Advisory Agreement and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero-coupon securities), accrued income that the Company has not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. The calculation of the subordinated incentive fee on income for each quarter is as follows:

- No incentive fee is payable to Terra Income Advisors in any calendar quarter in which the Company's pre-incentive fee net investment income does not exceed the hurdle rate of 2.0% (8.0% annualized);
- 100% of the Company's pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10.0% annualized) is payable to Terra Income Advisors, all or any portion of which may be waived or deferred in Terra Income Advisors's discretion. This portion of the pre-incentive fee net investment income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the "catch-up." The catch-up provision is intended to provide Terra Income Advisors with an incentive fee of 20.0% on all of the Company's pre-incentive fee net investment income when the Company's pre-incentive fee net investment income reaches 2.5% in any calendar quarter; and
- 20.0% of the amount of the Company's pre-incentive fee net investment income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) is payable to Terra Income Advisors once the hurdle rate is reached and the catch-up is achieved.

The second part of the incentive fee, which is referred to as the incentive fee on capital gains, is an incentive fee on capital gains earned on liquidated investments from the portfolio and is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). This fee equals 20.0% of the Company's incentive fee on capital gains, which equals the realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. On a quarterly basis, the Company accrues (but does not pay) for the unrealized capital gains incentive fee by calculating such fee as if it were due and payable as of the end of such period.

***Operating Expenses***

The Company reimburses Terra Income Advisors for operating expenses incurred in connection with administrative services provided to the Company, including compensation to administrative personnel. The Company does not reimburse Terra Income Advisors for personnel costs in connection with services for which Terra Income Advisors receives a separate fee. In addition, the Company does not reimburse Terra Income Advisors for (i) rent or depreciation, capital equipment or other costs of Terra Income Advisors's own administrative items, or (ii) salaries, fringe benefits, travel expenses and other administrative items incurred or allocated to any controlling person of Terra Income Advisors.

***Servicing Plan***

On September 30, 2017, the Board adopted the servicing plan (the "Servicing Plan"). Pursuant to the Servicing Plan, Terra Capital Markets was entitled to receive a servicing fee at an annual rate of 1.125% of the most recently published NAV per share of the Company's common stock, of which up to 0.75% is reallowed to selected dealers, in exchange for providing certain administrative support services. With respect to each share sold, excluding shares sold through the DRIP, the servicing fee is payable annually on the anniversary of the applicable month of purchase. The Servicing Plan will remain in effect for so long as such continuance is approved quarterly by the Board, including a majority of the directors who are not "interested persons" as defined in the 1940 Act and who have no direct or indirect financial interest in the operation of the Servicing Plan or in any agreements entered into in connection therewith. In addition, the Board will review all payments made pursuant to the Servicing Plan at least quarterly. The Company will no longer incur the annual servicing fee upon the earlier of (i) the aggregate underwriting compensation from all sources, including selling commissions, dealer manager fees, broker-dealer fees, and servicing fees would exceed 10% of the gross proceeds in the Offering, (ii) with respect to a specific share, the date that such share is redeemed or is no longer outstanding, and (iii) the date, if any, upon which a liquidity event occurs.

On December 23, 2020, Terra Capital Markets assigned to us certain of its administration support services and certain obligations under the Dealer Manager Agreement, including making future payments of the previously reallowed servicing fee under the Servicing Plan directly to selected dealers, effectively reducing the servicing fee to 0.75%.

***Participation Agreements***

The Company may enter into participation agreements with related and unrelated parties, primarily other affiliated funds of Terra Income Advisors. The participation agreements provide the Company with the opportunity to invest along the same terms, conditions, price and rights in the specified investment. The purpose of the participation agreements is to allow the Company and an affiliate to originate a specified investment when, individually, the Company does not have the liquidity to do so or to achieve a certain level of portfolio diversification. The Company may transfer portions of its investments to other participants or it may be a participant to an investment held by another entity.

ASC Topic 860, *Transfers and Servicing* ("ASC 860"), establishes accounting and reporting standards for transfers of financial assets. ASC 860-10 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The Company has determined that the participation agreements it enters into are accounted for as secured borrowings under ASC Topic 860 (see "*Participation Interests*" in Note 2 and "*Obligations under Participation Agreements*" in Note 3).

*Participation interest purchased by the Company:* The below tables list the investment interests participated by the Company via participation agreement (each, a "PA") as of December 31, 2021 and 2020. In accordance with the terms of each PA, each participant's rights and obligations, including interest income and other income (*e.g.*, exit fee and prepayment income) and related fees/expenses are based upon its respective pro-rata participation interest in such investments, as specified in the respective PA. The Company's share of the investment is repayable only from the proceeds received from the related borrower/ issuer of the investment, and therefore the Company is also subject to the credit risk (*i.e.*, risk of default by the underlying borrower/issuer).

Pursuant to each PA, the affiliated fund receives and allocates the interest income and other related investment incomes in respect of the investment to the Company. The Company pays related expenses (*i.e.*, the base management fee) directly to Terra Income Advisors.

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Participating Interests** | **Principal Balance** | **Fair Value** | **Participating Interests** | **Principal Balance** | **Fair Value** |
| 370 Lex Part Deux, LLC (1) | 35.0 % | 21,004,423 | 20,250,306 | 35.0 % | 18,856,077 | 18,177,257 |
| Havemeyer TSM LLC (2) | 23.0 % | 6,808,000 | 6,874,428 | 23.0 % | 6,295,100 | 6,347,853 |
| RS JZ Driggs, LLC (1) | 50.0 % | 7,806,257 | 7,877,552 | 50.0 % | 4,272,257 | 4,306,434 |
| William A. Shopoff & Cindy I. Shopoff (1) | 53.0 % | 13,237,500 | 13,347,088 | — % | — | — |
| Stonewall Station Mezz LLC (1)(3)(4) | — % | — | — | 44.0 % | 4,594,729 | 4,607,695 |
| Orange Grove Property Investors, LLC (1)(4) | — % | — | — | 80.0 % | 8,480,000 | 8,565,819 |
| City Gardens 333 LLC (1)(4) | — % | — | — | 14.0 % | 3,962,508 | 3,958,747 |
| Total | | $48,856,180 | $48,349,374 | | $46,460,671 | $45,963,805 |

(1) The loan is held in the name of Terra Property Trust, Inc., an affiliated entity managed by a subsidiary of Terra Capital Partners.
(2) The loan is held in the name of Mavik Real Estate Special Opportunities Fund REIT, LLC (formerly known as Terra Real Estate Credit Opportunities Fund REIT, LLC).
(3) The principal amount includes PIK interest of $0.2 million as of December 31, 2020.
(4) The loan was repaid in 2021.

*Transfers of participation interests by the Company:* The following table summarizes the investments that were subject to PAs with investment partnerships affiliated with Terra Income Advisors as of December 31, 2021 and 2020:

| | | | December 31, 2021 | | |
|---|---|---|---|---|---|
| | | | Transfers treated as obligations under participation agreements | | |
| | Principal | Fair Value | % Transferred | Principal | Fair Value |
| Hillsborough Owners LLC (1) | $ 16,210,029 | $ 16,279,593 | 30.0 % | $ 4,863,009 | $ 4,883,877 |

| | | | December 31, 2020 | | |
|---|---|---|---|---|---|
| | | | Transfers treated as obligations under participation agreements | | |
| | Principal | Fair Value | % Transferred | Principal | Fair Value |
| LD Milpitas Mezz, LP (2) | 17,000,000 | 17,175,880 | 25.0 % | 4,250,000 | 4,293,971 |

(1) Participant is Terra Property Trust, Inc.

(2) On June 27, 2018, the Company entered into a participation agreement with Terra Property Trust, Inc. to sell a 25% participation interest, or $4.3 million, in a $17.0 million mezzanine loan. This obligation under participation agreement was repaid in May 2021.

***Co-investment***

As a BDC, the Company is subject to certain regulatory restrictions in making its investments. For example, the Company may be prohibited under the 1940 Act from knowingly participating in certain transactions with its affiliates without the prior approval of its Board who are not interested persons and, in some cases, prior approval by the SEC. The SEC has granted the Company exemptive relief permitting it, subject to satisfaction of certain conditions, to co-invest in certain privately negotiated investment transactions with certain affiliates of Terra Income Advisors, including Terra Secured Income Fund, LLC, Terra Secured Income Fund 2, LLC, Terra Secured Income Fund 3, LLC, Terra Secured Income Fund 4, LLC, Terra Secured Income Fund 5, LLC, Terra Secured Income Fund 5 International, Terra Income Fund International and Terra Secured Income Fund 7, LLC, Terra Property Trust, Inc. and any future BDC or closed-end management investment company that is registered under the 1940 Act and is advised by Terra Income Advisors or its affiliated investment advisers (the "Co-Investment Affiliates"). However, the Company will be prohibited from engaging in certain transactions with its affiliates even under the terms of this exemptive order. The Company believes this relief will not only enhance its ability to further its investment objectives and strategy, but may also increase favorable investment opportunities for the Company, in part by allowing the Company to participate in larger investments, together with its Co-Investment Affiliates, than would be available to the Company if it had not obtained such relief.

**Note 5. Debt**

***Senior Unsecured Notes***

On February 10, 2021, the Company issued $34.8 million in aggregate principal amount of 7.00% fixed-rate notes due 2026, for net proceeds of $33.7 million after deducting underwriting commissions of $1.1 million. On February 26, 2021, the underwriters exercised the option to purchase an additional $3.6 million of the notes for net proceeds of $3.5 million, after deducting underwriting commissions of $0.1 million. Interest on the notes is paid quarterly in arrears every March 30, June 30, September 30 and December 30, at a rate of 7.00% per year, beginning June 30, 2021. The notes mature on March 31, 2026. The notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after February 10, 2023. In connection with the issuance of the notes, the Company incurred deferred financing costs totaling $1.0 million, to be amortized to interest expense over the term of the notes.

In accordance with the 1940 Act, the Company is allowed to borrow amounts such that its asset coverage, calculated pursuant to the 1940 Act, is at least 200% after such borrowing. Additionally, under the Indenture between the Company and the trustee, the Company is required to maintain a minimum asset coverage ratio of 200%. As of December 31, 2021, the Company's asset coverage ratio was 247.0%. As such, the Company was in compliance with the asset coverage ratio requirement under the Indenture as well as the 1940 Act.

For the year ended December 31, 2021, the components of interest expense were as follows:

| | Year Ended December 31, 2021 |
|---|---|
| Stated interest expense | $ 2,387,779 |
| Amortization of issue discount | 175,305 |
| Amortization of financing costs | 140,027 |
| **Total interest expense** | $ 2,703,111 |
| Weighted average debt outstanding | $ 34,010,616 |
| Cash paid for interest expense | $ 2,387,779 |
| Stated interest rate | 7.00 % |
| Effective interest rate (1) | 7.63 % |

(1) The effective interest rate of the debt component is equal to the stated interest rate plus the amortization of issue discount.

***Term Loan***

On April 9, 2021, the Company, as borrower, entered into a credit agreement (the "Credit Agreement") with Eagle Point Credit Management LLC, as the administrative agent and collateral agent ("Eagle Point"), and certain funds and accounts managed by Eagle Point, as lenders (in such capacity, collectively, the "Lenders"). The Credit Agreement provides for (i) a delayed draw term loan to the Company of $25.0 million (the "Term Loan") and (ii) additional incremental loans in a minimum amount of $1.0 million and multiples of $0.5 million in excess thereof, which may be approved by a Lender in its sole discretion ("Incremental Loans," and together with the Term Loan, the "Loans").

The scheduled maturity date of the Loans is April 9, 2025. The Loans bear interest on the outstanding principal amount thereof at a rate equal to 5.625% per annum; provided that if at any time the Company is rated below investment grade, the interest rate shall increase to 6.625% until the rating is no longer below investment grade. In connection with the entry into the Credit Agreement, the Company also agreed to pay Eagle Point an upfront fee in an amount equal to 2.50% of the loan commitment amount on the initial borrowing date as described in the Credit Agreement. The Company also pays, with respect to any unused portion of the Term Loan, a commitment fee of 0.75% per annum.

In connection with entering into the Credit Agreement, the Company incurred deferred financing costs totaling $0.3 million, to be amortized to interest expense over the term of the Term Loan. On August 31, 2021, the Company made an initial draw on the Term Loan of $5.0 million and incurred an upfront fee of $0.6 million, which was deducted from proceeds from borrowings under the Term Loan. The discount will be amortized to interest expense over the term of the Term Loan. As of December 31, 2021, the amount outstanding under the Term Loan was $5.0 million.

The Company may prepay any Loan, in whole or in part, together with all accrued but unpaid interest thereon, upon at least 30 but not more than 60 days' prior notice to the Agent. If the Company elects to make such prepayments prior to October 9, 2023, the Company will also be required to pay a make whole premium, being the present value at such date of (1) the principal amount being prepaid of such Loan, plus (2) all remaining required interest payments due on the principal amount being prepaid of such Loan through the maturity date (excluding accrued but unpaid interest to the date on which the make whole premium becomes owed), computed using a discount rate equal to the applicable U.S. Treasury rate (as set forth in the Credit Agreement) plus 50 basis points, over (B) the principal amount being prepaid of such Loan; provided that the make whole premium may in no event be less than zero.

In connection with its entry into the Credit Agreement, the Company also entered into a security agreement (the "Security Agreement"), by and among the Company, as grantor, and Eagle Point, as administrative agent, for the benefit of the Lenders, their affiliates and Eagle Point as the secured parties thereunder. Pursuant to the Security Agreement, the Company pledged substantially all of its now owned and hereafter acquired property as security for the obligations of the Company under the Credit Agreement, subject to certain limitations and restrictions set forth in the Security Agreements.

The Credit Agreement contains customary representations, warranties, reporting requirements, borrowing conditions and affirmative, negative and financial covenants, including REIT status requirements and minimum asset coverage ratio requirements. As of December 31, 2021, the Company is in compliance with these covenants. The Credit Agreement also includes usual and customary events of default and remedies for credit agreements of this nature. Events of default under the Credit Agreement include, but are not limited to: (i) the failure by the Company to make any payments when due under the Credit Agreement; (ii) the failure of the Company to perform or observe any term, covenant or agreement under the Credit

Agreement or any other loan document, subject to applicable cure periods; (iii) an event of default on other material indebtedness of the Company; (iv) the bankruptcy or insolvency of the Company; and (v) judgments and attachments, with customary limits and grace periods, against the Company or its property. In addition, the Loans are subject to mandatory prepayment, at the option of each Lender, upon a change in control of the Company (as defined by the Credit Agreement).

For the year ended December 31, 2021, the components of interest expense were as follows:

| | Year Ended December 31, 2021 |
|---|---|
| Stated interest expense | $ 95,314 |
| Amortization of issue discount | 38,613 |
| Amortization of financing costs | 53,878 |
| Unused fee | 125,833 |
| **Total interest expense** | $ 313,638 |
| Weighted average debt outstanding | $ 1,684,932 |
| Cash paid for interest expense | $ 221,147 |
| Stated interest rate | 5.625 % |
| Effective interest rate [1] | 6.25 % |

(1) The effective interest rate of the debt component is equal to the stated interest rate plus the amortization of issue discount.

## Note 6. Commitments and Contingencies

### *Impact of COVID-19*

The full extent of the impact of the COVID-19 pandemic on the global economy generally, and the Company's business in particular, will depend on future developments, which are highly uncertain and cannot be predicted with confidence. As of December 31, 2021, no contingencies have been recorded on the Company's balance sheet as a result of the COVID-19 pandemic, however as the pandemic continues, it may have long-term impacts on the Company's financial condition, results of operations, and cash flows. Refer to Note 2 for further discussion of the COVID-19 pandemic.

### *Funding Commitments*

In the ordinary course of business, the Company may enter into future funding commitments, which are subject to the borrower meeting certain performance-related metrics that are monitored by the Company. As of December 31, 2021 and 2020, the Company had $14.9 million and $1.1 million of unfunded commitments, respectively. The Company maintained sufficient cash on hand to fund such unfunded commitments, including matching these commitments with principal repayments on outstanding loans.

### *Other*

The Company enters into contracts that contain a variety of indemnification provisions. The Company's maximum exposure under these arrangements is unknown; however, the Company has not had prior claims or losses pursuant to these contracts. Management of Terra Income Advisors has reviewed the Company's existing contracts and expects the risk of loss to the Company to be remote.

The Company is not currently subject to any material legal proceedings and, to the Company's knowledge, no material legal proceedings are threatened against the Company. From time to time, the Company may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of the Company's rights under contracts with its portfolio companies. While the outcome of any legal proceedings cannot be predicted with certainty, the Company does not expect that any such proceedings will have a material adverse effect upon its financial condition or results of operations.

See Note 4. "Related Party Transactions", for a discussion of the Company's commitments to Terra Income Advisors.

## Note 7. Income Taxes

The Company elected to be taxed as a REIT under the Code commencing with its short taxable year beginning October 1, 2018 and ending December 31, 2018. In order to qualify as a REIT, the Company is required, among other things, to distribute dividends equal to at least 90% of its REIT net taxable income to the stockholders annually and meet certain tests regarding the nature of its income and assets. Because federal income tax regulations differ from U.S. GAAP, distributions in accordance with tax regulations may differ from net investment for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the consolidated financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

Taxable income generally differs from net increase in net assets resulting from operations for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses and generally excludes unrealized appreciation (depreciation) on investments as investment gains and losses are not included in taxable income until they are realized.

The following table reconciles net increase in net assets resulting from operations to taxable income:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Net increase in net assets resulting from operations | $ 4,086,245 | $ 4,929,344 | $ 4,851,132 |
| Net change in unrealized (appreciation) depreciation on investments | (943,375) | 1,228,240 | 86,846 |
| Net change in unrealized appreciation (depreciation) on obligations under participation agreements | 67,533 | (65,066) | 73,474 |
| Incentive fees on capital gains | 291,710 | 6,214 | (32,884) |
| Income tax expense | 534,784 | — | — |
| Other temporary differences [(1)] | 728,389 | (229,826) | (160,815) |
| Total taxable income [(2)] | $ 4,765,286 | $ 5,868,906 | $ 4,817,753 |

(1) Other temporary differences primarily related to capitalization and amortization of transaction-related fees.
(2) Amount for the year ended December 31, 2021 included $1.6 million of taxable income attributable to the TRS described below.

The following table reflects, for tax purposes, the estimated sources of the cash distributions that the Company has paid on its common stock:

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2019 | |
| Source of Distribution | Distribution Amount [(1)] | % | Distribution Amount [(1)] | % | Distribution Amount [(1)] | % |
| Return of capital | $ 603,964 | 15.8 % | $ — | — % | $ 2,801,281 | 36.8 % |
| Net investment income | 3,211,539 | 84.2 % | 5,625,029 | 100.0 % | 4,817,753 | 63.2 % |
| Distributions on a tax basis: | $ 3,815,503 | 100.0 % | $ 5,625,029 | 100.0 % | $ 7,619,034 | 100.0 % |

(1) The Distribution Amount and Percentage reflected are estimated figures. The actual source of distributions is calculated in connection with the filing of the Company's tax return.

The Company makes certain adjustments to the classification of stockholders' equity as a result of permanent book-to-tax differences, which include disallowed net operating loss carryforwards, amortization of deferred offering expenses and expense reimbursement from Adviser. To the extent these differences are permanent, they are charged or credited to capital in excess of par or accumulated net investment loss, as appropriate. For the years ended December 31, 2021, 2020 and 2019, there were no permanent differences.

As of December 31, 2021 and 2020, the Company did not have differences between amortized cost basis and tax basis cost of investments.

**Taxable REIT Subsidiary**

The Company holds certain portfolio company investments through consolidated taxable REIT subsidiaries. Such subsidiaries may be subject to U.S. federal and state corporate-level income taxes. These consolidated subsidiaries recognize deferred tax assets and liabilities for the estimated future tax effects attributable to temporary differences between the tax basis of certain assets and liabilities and the reported amounts included in the accompanying consolidated statements of assets and liabilities using the applicable statutory tax rates in effect for the year in which any such temporary differences are expected to reverse. As of December 31, 2021, the Company had one TRS which the Company formed to hold secured and unsecured credit facilities. There was no TRS as of December 31, 2020.

*Income Tax Provision*

The components of the Company's provision for income taxes are as follows:

| | Year Ended December 31, 2021 |
|---|---|
| **Federal** | |
| Current | $ 326,287 |
| Deferred | 41,511 |
| | 367,798 |
| **State and Local** | |
| Current | 148,139 |
| Deferred | 18,847 |
| | 166,986 |
| **Total Provision for income taxes** | $ 534,784 |

A reconciliation of effective income tax for the period presented is as follows:

| | Year Ended December 31, 2021 |
|---|---|
| Pre-tax income attributable to taxable subsidiaries | $ 1,751,420 |
| | |
| Federal provision at statutory tax rate (21%) | $ 367,798 |
| State and local taxes, net of deferred benefit | 166,986 |
| Total provision for income taxes | $ 534,784 |
| Effective income tax rate | 30.5 % |

*Deferred Income Taxes*

Deferred income taxes as of December 31, 2021 consist of the following:

| | December 31, 2021 |
|---|---|
| **Deferred Tax Liabilities** | |
| Unrealized gain on investment | $ (130,970) |
| | |
| **Deferred Tax Assets** | |
| Deferred revenue | 70,612 |
| | |
| Net deferred tax liabilities | $ (60,358) |

The Company’s deferred tax assets and liabilities are primarily the result of temporary differences related to the following:

- deferred origination fee
- fair value adjustment

The Company has not provided a valuation allowance for the deferred tax asset because the Company expects the deferred tax asset to be realized in future periods.

*Income Taxes Paid*

For the year ended December 31, 2021, the Company paid $0.1 million on income taxes. Income tax payable of $0.4 million and deferred tax liabilities of $0.1 million were included in other liabilities in the consolidated statements of assets and liabilities.

**Note 8. Directors' Fees**

The Company's directors who do not serve in an executive officer capacity for the Company or Terra Income Advisors are entitled to receive annual cash retainer fees, fees for attending board and committee meetings and annual fees for serving as a committee chairperson. These directors receive an annual fee of $20,000, plus $2,500 for each board meeting attended in person, $1,000 for each board meeting attended via teleconference and $1,000 for each committee meeting attended. In addition, the chairman of the audit committee receives an annual fee of $7,500 and the chairman of each of the nominating and corporate governance and the valuation committees, and any other committee, receives an annual fee of $2,500 for their additional services. For each of the years ended December 31, 2021, 2020 and 2019, the Company recorded $0.1 million of directors' fees expense.

The Company will also reimburse each of the above directors for all reasonable and authorized business expenses in accordance with the Company policies as in effect from time to time, including reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and each committee meeting not held concurrently with a board meeting.

The Company does not pay compensation to the directors who also serve in an executive officer capacity for the Company or Terra Income Advisors.

**Note 9. Capital**

As of December 31, 2021, the Company had 8,078,627 shares of common stock outstanding.

**Share Repurchase Program**

The Company implemented a share repurchase program whereby every quarter the Company offers to repurchase up to 2.5% of the weighed-average number of shares outstanding in the prior calendar year at a price per share equal to the most recently disclosed NAV per share of its common stock immediately prior to the date of repurchase. The purpose of the share repurchase program is to provide stockholders with liquidity, because there is otherwise no public market for the Company's common stock. In addition, the Board may amend, suspend or terminate the share repurchase program upon 30 days' notice. On March 25, 2020, the Board unanimously approved the suspension of the operation of the share repurchase program, effective as of April 30, 2020. On May 11, 2021, the Board unanimously approved the resumption of the share repurchase program effective as of June 30, 2021. On March 30, 2022, the Board unanimously approved the suspension of the operation of the share repurchase program, effective as of April 30, 2022. The share repurchase program will remain suspended until such time as the Board approves its resumption.

The following table provides information with respect to the repurchases of the Company's common stock for the year ended December 31, 2021.

| Period | Total Number of Shares Repurchased | Average Price Paid per Share | Maximum Number of Shares Allowed to be Repurchased |
|---|---|---|---|
| **Year Ended December 31, 20021:** | | | |
| Three Months Ended March 31, 2021 | — | — | — |
| Three Months Ended June 30, 2021 | 682 | $ 9.07 | — |
| Three Months Ended September 30, 2021 (1)(2) | 209,978 | $ 9.03 | 207,656 |
| Three Months Ended December 31, 2021 (3)(4) | 208,904 | $ 9.00 | 207,656 |

(1) A total of 846,743 shares were validly tendered and not withdrawn, an amount that exceeded the maximum number of shares the Company offered to purchase. In accordance with the terms of the tender offer, the Company purchased a total of 207,646 shares validly tendered and not withdrawn on a pro rata basis. Approximately 24.5% of the number of shares tendered by each stockholder who participated in the tender offer was repurchased by the Company.

(2) Subsequent to the close of the tender offer, the Company discovered an administrative error in which a tender request was not processed. The Company honored the tender request in October and accordingly another 2,332 shares were repurchased.
(3) A total of 653,098 shares were validly tendered and not withdrawn, an amount that exceeded the maximum number of shares the Company offered to purchase. In accordance with the terms of the tender offer, the Company purchased a total of 207,652 shares validly tendered and not withdrawn on a pro rata basis. Approximately 31.8% of the number of shares tendered by each stockholder who participated in the tender offer was repurchased by us.
(4) Subsequent to the close of the tender offer, the Company discovered an administrative error in which two tender requests were not processed. The Company honored the tender requests in January 2022 and accordingly another 1,252 shares were repurchased.

As a result of an adjustment from the Q4 2019 tender offering, the Company repurchased 1,600 shares of the Company's common stock at a price of $9.15 per share in the first quarter of 2020. There was no common stock repurchased for the three months ended June 30, September 30, 2020 and December 31, 2020.

**Note 10. Net Increase in Net Assets**

Income per share is computed by dividing income available to common stockholders by the weighted average number of shares outstanding during the period. Other potentially dilutive shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. As of December 31, 2021 and 2020, there were no dilutive shares.

The following information sets forth the computation of the weighted average net increase in net assets per share from operations for the years ended December 31, 2021, 2020 and 2019:

| | Years Ended December 31, | | |
|---|---|---|---|
| **Basic** | **2021** | **2020** | **2019** |
| Net increase in net assets resulting from operations | $ 4,086,245 | $ 4,929,344 | $ 4,851,132 |
| Weighted average common shares outstanding | 8,389,604 | 8,306,256 | 8,738,650 |
| Net increase in net assets per share resulting from operations | $ 0.49 | $ 0.59 | $ 0.56 |

**Note 11. Distributions**

Distributions from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which differ from U.S. GAAP.

The following table reflects the Company's distributions for the years ended December 31, 2021, 2020 and 2019:

| Record Date | Payment Date | Per Share Per Day | Distributions Paid in Cash | Distributions Paid through the DRIP | Total Distributions Paid/Accrued |
|---|---|---|---|---|---|
| **Year Ended December 31, 2021** | | | | | |
| January 28, 2021 | January 31, 2021 | $ 0.001239 | $ 241,041 | $ 81,397 | $ 322,438 |
| February 25, 2021 | February 28, 2021 | 0.001239 | 219,664 | 73,721 | 293,385 |
| March 26, 2021 | March 31, 2021 | 0.001247 | 244,162 | 80,961 | 325,123 |
| April 27, 2021 | April 30, 2021 | 0.001247 | 237,113 | 77,707 | 314,820 |
| May 26, 2021 | May 29, 2021 | 0.001247 | 245,704 | 80,070 | 325,774 |
| June 25, 2021 | June 30, 2021 | 0.001247 | 238,662 | 76,745 | 315,407 |
| July 27, 2021 | July 30, 2021 | 0.001247 | 247,172 | 79,458 | 326,630 |
| August 26, 2021 | August 31, 2021 | 0.001247 | 248,285 | 78,498 | 326,783 |
| September 27, 2021 | September 30, 2021 | 0.001247 | 243,889 | 72,677 | 316,566 |
| October 26, 2021 | October 30, 2021 | 0.001247 | 244,311 | 75,001 | 319,312 |
| November 24, 2021 | November 30, 2021 | 0.001247 | 236,742 | 72,577 | 309,319 |
| December 28, 2021 | December 31, 2021 | 0.001247 | 246,134 | 73,812 | 319,946 |
| | | | $ 2,892,879 | $ 922,624 | $ 3,815,503 |

| Record Date | Payment Date | Per Share Per Day | Distributions Paid in Cash | Distributions Paid through the DRIP | Total Distributions Paid/Accrued |
|---|---|---|---|---|---|
| **Year Ended December 31, 2020** | | | | | |
| January 28, 2020 | January 31, 2020 | $ 0.002383 | $ 430,201 | $ 177,853 | $ 608,054 |
| February 25, 2020 | February 28, 2020 | 0.002383 | 407,142 | 163,022 | 570,164 |
| March 26, 2020 | March 31, 2020 | 0.002383 | 446,503 | 164,293 | 610,796 |
| April 27, 2020 | April 30, 2020 | 0.001239 | 223,554 | 84,855 | 308,409 |
| May 26, 2020 | May 29, 2020 | 0.001239 | 231,182 | 87,375 | 318,557 |
| June 25, 2020 | June 30, 2020 | 0.001239 | 226,467 | 82,177 | 308,644 |
| July 28, 2020 | July 31, 2020 | 0.001239 | 234,745 | 84,546 | 319,291 |
| August 26, 2020 | August 31, 2020 | 0.001239 | 235,402 | 84,252 | 319,654 |
| September 25, 2020 | September 30, 2020 | 0.001239 | 228,063 | 81,626 | 309,689 |
| October 27, 2020 | October 30, 2020 | 0.001239 | 237,395 | 82,958 | 320,353 |
| November 24, 2020 | November 30, 2020 | 0.001239 | 230,857 | 79,504 | 310,361 |
| December 28, 2020 | December 31, 2020 | 0.001239 (1) | 985,547 | 335,510 | 1,321,057 |
| | | | $ 4,117,058 | $ 1,507,971 | $ 5,625,029 |

(1) In addition, the Company made a special distribution of $0.11962 per share to shareholders on record as of December 28, 2020. Distributions paid in cash and distributions paid through the DRIP for the month of December included an aggregate special distribution of approximately $1.0 million.

| Record Date | Payment Date | Per Share Per Day | Distributions Paid in Cash | Distributions Paid through the DRIP | Total Distributions Paid/Accrued |
|---|---|---|---|---|---|
| **Year Ended December 31, 2019** | | | | | |
| January 20, 2019 | January 31, 2019 | $ 0.002389 | $ 463,408 | $ 201,500 | $ 664,908 |
| February 20, 2019 | February 28, 2019 | 0.002389 | 423,071 | 179,129 | 602,200 |
| March 20, 2019 | March 29, 2019 | 0.002389 | 472,614 | 195,507 | 668,121 |
| April 20, 2019 | April 30, 2019 | 0.002389 | 449,880 | 189,779 | 639,659 |
| May 20, 2019 | May 31, 2019 | 0.002389 | 467,067 | 196,200 | 663,267 |
| June 20, 2019 | June 28, 2019 | 0.002389 | 462,358 | 180,237 | 642,595 |
| July 26, 2019 | July 29, 2019 | 0.002389 | 454,782 | 184,214 | 638,996 |
| August 26, 2019 | August 27, 2019 | 0.002389 | 456,261 | 184,190 | 640,451 |
| September 25, 2019 | September 26, 2019 | 0.002389 | 449,128 | 171,949 | 621,077 |
| August 28, 2019 | October 29, 2019 | 0.002389 | 440,990 | 178,613 | 619,603 |
| November 25, 2019 | November 29, 2019 | 0.002389 | 427,924 | 173,070 | 600,994 |
| December 26, 2019 | December 27, 2019 | 0.002389 | 438,482 | 178,681 | 617,163 |
| | | | $ 5,405,965 | $ 2,213,069 | $ 7,619,034 |

## Note 12. Financial Highlights

The following is a schedule of financial highlights for the years ended December 31, 2021, 2020 and 2019, the transition period ended December 31, 2018, the years ended September 30, 2018 and 2017:

| | Years Ended December 31, | | | Transition Period Ended December 31, | Years Ended September 30, | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2018 | 2017 |
| **Per share data:** | | | | | | |
| Net asset value at beginning of period | $ 9.07 | $ 9.16 | $ 9.47 | $ 9.56 | $ 10.00 | $ 10.06 |
| Results of operations [1]: | | | | | | |
| Net investment income | 0.31 | 0.59 | 0.57 | 0.12 | 0.31 | 0.15 |
| Net change in unrealized appreciation (depreciation) on investments | 0.12 | (0.15) | (0.01) | 0.01 | 0.03 | 0.08 |
| Net realized gain on investments | 0.07 | 0.14 | — | — | — | — |
| Net change in unrealized (appreciation) depreciation on obligations under participation [2] agreements | (0.01) | 0.01 | — | — | — | — |
| Net increase in net assets resulting from operations | 0.49 | 0.59 | 0.56 | 0.13 | 0.34 | 0.23 |
| Stockholder distributions [3]: | | | | | | |
| Distributions from return of capital | (0.07) | — | (0.32) | (0.10) | (0.54) | (0.81) |
| Distributions from net investment income | (0.38) | (0.68) | (0.55) | (0.12) | (0.33) | (0.08) |
| Net decrease in net assets resulting from stockholder distributions | (0.45) | (0.68) | (0.87) | (0.22) | (0.87) | (0.89) |
| Capital share transactions: | | | | | | |
| Reduction of transaction charges [4] | — | — | — | — | — | 0.42 |
| Other [5] | — | — | — | — | 0.09 | 0.18 |
| Net increase in net assets resulting from capital share transactions | — | — | — | — | 0.09 | 0.60 |
| Net asset value, end of period | $ 9.11 | $ 9.07 | $ 9.16 | $ 9.47 | $ 9.56 | $ 10.00 |
| Shares outstanding at end of period | 8,078,627 | 8,396,435 | 8,232,636 | 8,975,103 | 8,972,358 | 7,530,130 |
| Total return [6] | 5.59 % | 6.60 % | 6.15 % | 5.29 % | 4.02 % | 8.10 % |
| **Ratio/Supplemental data:** | | | | | | |
| Net assets, end of period | $73,586,644 | $76,175,733 | $75,378,088 | $85,039,019 | $85,773,410 | $75,334,293 |
| Ratio of net investment income to average net assets [7] | 3.49 % | 6.51 % | 6.26 % | 4.92 % | 3.26 % | 1.47 % |
| Ratio of operating expenses to average net assets [7][8][9] | 14.66 % | 6.85 % | 6.24 % | 7.28 % | 7.21 % | 7.73 % |
| Portfolio turnover | 123.91 % | 22.44 % | 28.37 % | 10.30 % | 10.22 % | 33.06 % |

(1) The per share data was derived by using the weighted average shares outstanding during the applicable period.
(2) The impact on net asset value was approximately \$0.008 for the year ended December 31, 2019, \$0.001 for the transition period ended December 31, 2018, and \$0.002 and \$0.005 for the year ended September 30, 2018 and 2017, respectively.
(3) The per share data for distributions reflects the actual amount of distributions declared per share during the period.
(4) Amount is calculated based on total shares outstanding as of September 30, 2017.
(5) The continuous issuance of shares of common stock in the Offering as well as pursuant to the DRIP may cause an incremental increase in net asset value per share due to the sale of shares at the then prevailing public offering price and the receipt of net proceeds per share by the Company in excess of the net asset value per share on each subscription closing date. In addition, the timing of the Company's sales of shares during the year and the repurchases of shares also impacted the net asset value per share.
(6) Total return is calculated assuming a purchase of shares of common stock at the current net asset value on the first day and a sale at the current net asset value on the last day of the periods reported. Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the DRIP. The total return does not consider the effect of any selling commissions or charges that may have been incurred in connection with the sale of shares of our common stock. For the transition period ended December 31, 2018, the total return was annualized.
(7) For the year ended September 30, 2017, excluding the reduction of offering costs, the ratios of net investment loss and operating expenses to average net assets are (0.19)% and 9.38%, respectively.
(8) Excluding the incentive fees on capital gains or reversal of previously accrued incentive fees on capital gains for the years ended December 31, 2021, 2020 and 2019, the transition period ended December 31, 2018, the years ended September 30, 2018 and 2017, the ratio of operating expenses to average net assets was 14.3%, 6.84% and 6.26%, 7.25%, 7.17% and 7.57%, respectively.
(9) Excluding accrued incentive fees on capital gains and interest expense on debt, the ratio of operating expenses to average net assets was 8.3% for the year ended December 31, 2021.

**Note 13. Subsequent Events**

The management of the Company has evaluated events and transactions through the date the consolidated financial statements were issued and has determined that there are no material events that would require adjustment to or disclosure in the Company's consolidated financial statements.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 30, 2022

**TERRA INCOME FUND 6, INC.**

By: /s/ Vikram S. Uppal
Vikram S. Uppal
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Gregory M. Pinkus
Gregory M. Pinkus
Chief Financial Officer, Chief Operating Officer,
Treasurer and Secretary
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Vikram S. Uppal<br>Vikram S. Uppal | Chairman of the Board, Chief Executive Officer and President *(Principal Executive Officer)* | March 30, 2022 |
| /s/ Gregory M. Pinkus<br>Gregory M. Pinkus | Chief Financial Officer, Chief Operating Officer, Treasurer and Secretary *(Principal Financial and Accounting Officer)* | March 30, 2022 |
| /s/ Adrienne M. Everett<br>Adrienne M. Everett | Director | March 30, 2022 |
| /s/ Spencer E. Goldenberg<br>Spencer E. Goldenberg | Director | March 30, 2022 |
| /s/ Gaurav Misra<br>Gaurav Misra | Director | March 30, 2022 |