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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended September 30, 2020

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**  
(State or other jurisdiction of incorporation or organization)

**46-2865244**  
(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:**  
**None**

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   
Non-accelerated filer

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 12, 2020, the registrant had 8,351,373 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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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	<u>(unaudited)</u>	
<b>Assets</b>		
Investments, at fair value — non-controlled (amortized cost of \$20,093,563 and \$17,938,033, respectively)	\$ 20,183,878	\$ 18,598,767
Investment through participation interest, at fair value — non-controlled (amortized cost of \$44,717,006 and \$43,026,580, respectively) ( <a href="#">Note 4</a> )	44,443,755	43,237,452
Marketable securities, at fair value — non-controlled (cost of \$1,176,006 and \$0, respectively)	1,205,001	—
<b>Total investments</b>	<b>65,832,634</b>	<b>61,836,219</b>
Cash and cash equivalents	15,636,782	17,057,558
Restricted cash	1,159,878	624,141
Interest receivable	588,566	529,819
Prepaid expenses and other assets	75,601	58,812
<b>Total assets</b>	<b>83,293,461</b>	<b>80,106,549</b>
<b>Liabilities</b>		
Obligations under participation agreements, at fair value (proceeds of \$4,250,000 and \$3,120,888, respectively) ( <a href="#">Note 4</a> )	4,295,636	3,204,263
Interest reserve and other deposits held on investments	1,159,878	624,141
Due to Adviser, net	588,442	517,404
Accrued expenses	332,549	266,950
Interest payable from obligations under participation agreements	46,042	34,937
Other liabilities	51,432	80,766
<b>Total liabilities</b>	<b>6,473,979</b>	<b>4,728,461</b>
<b>Net assets</b>	<b>\$ 76,819,482</b>	<b>\$ 75,378,088</b>
<b>Commitments and contingencies (See <a href="#">Note 5</a>)</b>		
<b>Components of net assets:</b>		
Common stock, \$0.001 par value, 450,000,000 shares authorized, and 8,342,227 and 8,232,636 shares issued and outstanding, respectively	\$ 8,342	\$ 8,233
Capital in excess of par	75,868,102	74,872,851
Accumulated distributable net income	943,038	497,004
<b>Net assets</b>	<b>\$ 76,819,482</b>	<b>\$ 75,378,088</b>
<b>Net asset value per share</b>	<b>\$ 9.21</b>	<b>\$ 9.16</b>

*See notes to unaudited financial statements.*

**Terra Income Fund 6, Inc.**  
**Statements of Operations**  
**(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Investment income</b>				
Interest income	\$ 2,181,815	\$ 2,295,588	\$ 6,525,643	\$ 6,889,915
Prepayment fee income	1,280,290	—	1,280,290	32,721
Other income	29,622	26,461	96,454	54,239
<b>Total investment income</b>	<b>3,491,727</b>	<b>2,322,049</b>	<b>7,902,387</b>	<b>6,976,875</b>
<b>Operating expenses</b>				
Base management fees	383,244	390,008	1,132,896	1,216,998
(Reversal of incentive fees) Incentive fees on capital gains <sup>(1)</sup>	(18,620)	(18,446)	42,997	(44,408)
Operating expense reimbursement to Adviser (Note 4)	213,746	223,458	638,508	690,544
Servicing fees (Note 2, Note 4)	189,572	201,911	557,377	643,886
Professional fees	256,111	233,388	890,866	843,782
Interest expense from obligations under participation agreements (Note 4)	144,763	55,184	426,333	71,733
Directors' fees	30,125	18,125	93,375	70,875
Insurance expense	53,881	53,584	161,420	160,254
General and administrative expenses	8,676	10,473	33,779	104,792
<b>Total operating expenses</b>	<b>1,261,498</b>	<b>1,167,685</b>	<b>3,977,551</b>	<b>3,758,456</b>
<b>Net investment income</b>	<b>2,230,229</b>	<b>1,154,364</b>	<b>3,924,836</b>	<b>3,218,419</b>
Net change in unrealized depreciation on investments	(173,793)	(88,082)	(1,025,547)	(214,660)
Net change in unrealized depreciation (appreciation) on obligations under participation agreements	5,662	(4,149)	59,844	(7,384)
Net realized gain on investments	75,030	—	1,160,160	—
<b>Net increase in net assets resulting from operations</b>	<b>\$ 2,137,128</b>	<b>\$ 1,062,133</b>	<b>\$ 4,119,293</b>	<b>\$ 2,996,375</b>
Per common share data:				
Net investment income per share	\$ 0.27	\$ 0.13	\$ 0.47	\$ 0.36
Net increase in net assets resulting from operations per share	\$ 0.26	\$ 0.12	\$ 0.50	\$ 0.34
Weighted average common shares outstanding	8,324,079	8,643,824	8,290,934	8,857,663

- (1) For the three and nine months ended September 30, 2020, the Company reversed the previously accrued incentive fees on capital gains of \$18,620 and recorded incentive fees on capital gains of \$42,997, respectively. For the three and nine months ended September 30, 2019, the Company reversed the previously accrued incentive fees on capital gains of \$18,446 and \$44,408, respectively. 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 unaudited financial statements.*

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**Terra Income Fund 6, Inc.**  
**Statements of Changes in Net Assets**  
**(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Operations</b>				
Net investment income	\$ 2,230,229	\$ 1,154,364	\$ 3,924,836	\$ 3,218,419
Net change in unrealized depreciation on investments	(173,793)	(88,082)	(1,025,547)	(214,660)
Net change in unrealized depreciation (appreciation) on obligations under participation agreements	5,662	(4,149)	59,844	(7,384)
Net realized gain on investments	75,030	—	1,160,160	—
Net increase in net assets resulting from operations	2,137,128	1,062,133	4,119,293	2,996,375
<b>Stockholder distributions</b>				
Distributions from return of capital	—	(848,817)	—	(2,856,687)
Distributions from net investment income	(948,634)	(1,051,707)	(3,673,258)	(2,924,587)
Net decrease in net assets resulting from stockholder distributions	(948,634)	(1,900,524)	(3,673,258)	(5,781,274)
<b>Capital share transactions</b>				
Issuance of common stock	—	—	—	60,000
Reinvestment of stockholder distributions	250,424	540,353	1,009,999	1,682,705
Offering costs	—	—	—	(900)
Repurchases of common stock under stock repurchase plan	—	(2,960,072)	(14,640)	(7,413,920)
Net increase (decrease) in net assets resulting from capital share transactions	250,424	(2,419,719)	995,359	(5,672,115)
<b>Net increase (decrease) in net assets</b>	<b>1,438,918</b>	<b>(3,258,110)</b>	<b>1,441,394</b>	<b>(8,457,014)</b>
<b>Net assets, at beginning of period</b>	<b>75,380,564</b>	<b>79,840,115</b>	<b>75,378,088</b>	<b>85,039,019</b>
<b>Net assets, at end of period</b>	<b>\$ 76,819,482</b>	<b>\$ 76,582,005</b>	<b>\$ 76,819,482</b>	<b>\$ 76,582,005</b>
<b>Capital share activity</b>				
Shares outstanding, at beginning of period	8,314,471	8,628,149	8,232,636	8,975,103
Shares issued from subscriptions	—	—	—	6,276
Shares issued from reinvestment of stockholder distributions	27,756	58,161	111,191	179,013
Shares repurchased under stock repurchase plan and other	—	(320,008)	(1,600)	(794,090)
Shares outstanding, at end of period	8,342,227	8,366,302	8,342,227	8,366,302

*See notes to unaudited financial statements.*

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**Terra Income Fund 6, Inc.  
Statements of Cash Flows  
(Unaudited)**

	Nine Months Ended September 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net increase in net assets resulting from operations	\$ 4,119,293	\$ 2,996,375
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net change in unrealized depreciation on investments	1,025,547	214,660
Net change in unrealized (depreciation) appreciation on obligations under participation agreements	(59,844)	7,384
Net realized gain on investments	(1,160,160)	—
Amortization and accretion of investment-related fees, net	(219,476)	(368,514)
Amortization of discount on investments, net	(42,856)	(6,430)
Paid-in-kind interest, net	(286,340)	(66,510)
Purchases of investments	(12,339,257)	(13,224,154)
Repayments and proceeds from sale of investments	9,048,232	23,131,051
Changes in operating assets and liabilities:		
(Increase) decrease in interest receivable	(58,747)	94,005
(Increase) decrease in prepaid expenses and other assets	(16,789)	20,427
Increase (decrease) in interest reserve and other deposits held on investments	535,737	(26,577)
Increase (decrease) in due to Adviser, net	71,038	(51,190)
Increase (decrease) in accrued expenses	65,599	(99,596)
Increase in interest payable from obligations under participation agreements	11,105	20,168
Decrease in other liabilities	(29,334)	(242,725)
<b>Net cash provided by operating activities</b>	<b>663,748</b>	<b>12,398,374</b>
<b>Cash flows from financing activities:</b>		
Proceeds from obligations under participation agreements	1,129,112	1,967,592
Issuance of common stock	—	60,000
Payments of offering costs	—	(900)
Payments of stockholder distributions	(2,663,259)	(4,095,926)
Payments for repurchases of common stock under stock repurchase plan	(14,640)	(7,413,920)
<b>Net cash used in financing activities</b>	<b>(1,548,787)</b>	<b>(9,483,154)</b>
<b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>	<b>(885,039)</b>	<b>2,915,220</b>
<b>Cash, cash equivalents and restricted cash, at beginning of period</b>	<b>17,681,699</b>	<b>7,372,064</b>
<b>Cash, cash equivalents and restricted cash, at end of period (Note 2)</b>	<b>\$ 16,796,660</b>	<b>\$ 10,287,284</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid on obligations under participation agreements	\$ 393,122	\$ 43,312
<b>Supplemental non-cash information:</b>		
Reinvestment of stockholder distributions	\$ 1,009,999	\$ 1,682,705

*See notes to unaudited financial statements.*

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**Terra Income Fund 6, Inc.**  
**Schedule of Investments (Unaudited)**  
**September 30, 2020**

Portfolio Company <sup>(1)</sup>	Collateral Location	Property Type	Coupon Rate <sup>(2)</sup>	Current Interest Rate	Exit Fee	Acquisition Date	Maturity Date	Principal	Amortized Cost	Fair Value <sup>(3)</sup>	% of Net Assets <sup>(4)</sup>
<b>Loan investments — non-controlled</b>											
<b>Mezzanine loans:</b>											
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	\$ 3,001,333	3.9 %
Stonewall Station Mezz LLC <sup>(5)(7)</sup>	US - NC	Hotel	Current 12.00% PIK 2.00%	14.00%	1.00%	5/31/2018	5/20/2021	4,498,762	4,521,905	4,519,049	5.9 %
LD Milpitas Mezz, LP <sup>(5)(6)</sup>	US - CA	Hotel	LIBOR + 10.25% (2.75% Floor)	13.00%	1.00%	6/27/2018	6/27/2021	17,000,000	17,093,563	17,182,545	22.4 %
									24,615,468	24,702,927	32.2 %
<b>Preferred equity investments:</b>											
City Gardens 333 LLC <sup>(5)(7)</sup>	US - CA	Student housing	LIBOR + 9.95% (2.00% Floor)	11.95%	0.00%	4/11/2018	4/1/2021	3,923,076	3,914,239	3,922,584	5.1 %
RS JZ Driggs, LLC <sup>(5)(7)(8)</sup>	US - NY	Multifamily	12.25%	12.25%	1.00%	5/1/2018	8/1/2020	4,100,000	4,141,000	4,141,273	5.4 %
Orange Grove Property Investors, LLC <sup>(5)(7)</sup>	US - CA	Condominium	LIBOR + 8.00% (4.00% Floor)	12.00%	1.00%	5/24/2018	6/1/2021	8,480,000	8,525,880	8,556,092	11.1 %
NB Private Capital, LLC <sup>(5)(7)(9)</sup>	Various	Student housing	16.00%	16.00%	1.00%	7/27/2018	4/16/2021	3,371,455	3,383,530	3,404,805	4.4 %
370 Lex Part Deux, LLC <sup>(5)(7)</sup>	US - NY	Office	LIBOR + 8.25% (2.44% Floor)	10.69%	0.00%	12/17/2018	1/9/2022	18,355,593	18,322,674	17,992,411	23.4 %
									38,287,323	38,017,165	49.4 %
<b>First mortgages:</b>											
TSG-Parcel 1, LLC <sup>(5)(7)</sup>	US - CA	Land	15.00%	15.00%	1.00%	7/10/2015	12/31/2020	1,888,889	1,907,778	1,907,541	2.5 %
									1,907,778	1,907,541	2.5 %
<b>Total loan investments — non-controlled</b>									<b>\$ 64,810,569</b>	<b>\$ 64,627,633</b>	<b>84.1 %</b>

Portfolio Company <sup>(1)</sup>	Industry	Interest/Dividend Rate	Acquisition Date	Maturity Date	Shares	Cost	Fair Value	% of Net Assets <sup>(4)</sup>	
<b>Marketable securities — non-controlled <sup>(10):</sup></b>									
<b>Preferred shares:</b>									
Nexpoint Real Estate Finance, Inc. - Series A Preferred Shares	REIT	8.5 %	7/30/2020	7/24/2025	50,000	\$ 1,176,006	\$ 1,205,001	1.6 %	
<b>Total marketable securities — non-controlled</b>							<b>1,176,006</b>	<b>1,205,001</b>	<b>1.6 %</b>
<b>Total investments — non-controlled</b>							<b>\$ 65,986,575</b>	<b>\$ 65,832,634</b>	<b>85.7 %</b>

**Terra Income Fund 6, Inc.**  
**Schedule of Investments (Unaudited) (Continued)**  
**September 30, 2020**

- 
- (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") 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 \$76.8 million as of September 30, 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 participations from the Company do not qualify for sale accounting and therefore, these loans remain in the Schedule of Investments. See "*Obligations under Participation Agreements*" in [Note 3](#) in the accompanying notes to the financial statements.
  - (7) The Company acquired these investments through participation agreements. See "Participation Agreements" in [Note 4](#) in the accompanying notes to the financial statements.
  - (8) As of September 30, 2020, this loan was past due. In October 2020, the maturity of the loan was extended to November 15, 2020.
  - (9) In June 2020, the Company amended the credit facility agreement to provide for interest at a fixed rate of 16.00% and to capitalize any unpaid interest to principal.
  - (10) From time to time, the Company may invest in debt and equity securities.

*See notes to unaudited financial statements.*



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**Terra Income Fund 6, Inc.**  
**Schedule of Investments**  
**December 31, 2019**

Portfolio Company <sup>(1)</sup>	Collateral Location	Property Type	Coupon Rate <sup>(2)</sup>	Current Interest Rate	Exit Fee	Acquisition Date	Maturity Date	Principal	Amortized Cost	Fair Value <sup>(3)</sup>	% of Net Assets <sup>(4)</sup>
<b>Investments — non-controlled</b>											
<b>Mezzanine loans:</b>											
Hertz Clinton One Mezzanine, LLC	US - MS	Office	12.00%	12.00%	0.00%	3/18/2016	1/1/2025	\$ 2,500,000	\$ 2,457,144	\$ 2,706,405	3.6 %
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	3,075,315	4.1 %
Stonewall Station Mezz LLC <sup>(5)(7)</sup>	US - NC	Hotel	Current 12.00% PIK 2.00%	14.00%	1.00%	5/31/2018	5/20/2021	4,308,818	4,310,524	4,348,735	5.7 %
LD Milpitas Mezz, LP <sup>(5)(6)(8)</sup>	US - CA	Hotel	LIBOR + 10.25% (2.75% Floor)	13.00%	1.00%	6/27/2018	6/27/2021	12,483,552	12,480,889	12,817,047	17.0 %
									22,248,557	22,947,502	30.4 %
<b>Preferred equity investments:</b>											
City Gardens 333 LLC <sup>(5)(7)</sup>	US - CA	Student housing	LIBOR + 9.95% (2.00% Floor)	11.95%	0.00%	4/11/2018	4/1/2021	3,926,961	3,906,762	3,928,089	5.2 %
RS JZ Driggs, LLC <sup>(5)(7)</sup>	US - NY	Multifamily	12.25%	12.25%	1.00%	5/1/2018	5/1/2020	4,100,000	4,127,222	4,138,668	5.5 %
Orange Grove Property Investors, LLC <sup>(5)(7)</sup>	US - CA	Condominium	LIBOR + 8.00% (4.00% Floor)	12.00%	1.00%	5/24/2018	6/1/2021	8,480,000	8,484,231	8,556,332	11.3 %
NB Private Capital, LLC <sup>(5)(7)</sup>	Various	Student housing	LIBOR + 10.50% (3.50% Floor)	14.00%	1.00%	7/27/2018	4/16/2021	3,333,333	3,306,795	3,363,464	4.5 %
370 Lex Part Deux, LLC <sup>(5)(7)</sup>	US - NY	Office	LIBOR + 8.25% (2.44% Floor)	10.69%	0.00%	12/17/2018	1/9/2022	16,922,482	16,871,046	16,882,760	22.4 %
									36,696,056	36,869,313	48.9 %
<b>First mortgages:</b>											
TSG-Parcel 1, LLC <sup>(5)(7)</sup>	US - CA	Land	LIBOR + 10.00% (2.00% Floor)	12.00%	1.00%	7/10/2015	3/31/2020	2,000,000	2,020,000	2,019,404	2.7 %
									2,020,000	2,019,404	2.7 %
<b>Total Investments — non-controlled</b>									<b>\$60,964,613</b>	<b>\$61,836,219</b>	<b>82.0 %</b>

(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 LIBOR and are subject to a LIBOR floor.

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- (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 \$75.4 million as of December 31, 2019.
- (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 do not qualify for sale accounting and therefore, these loans remain in the Schedule of Investments. See "*Obligations under Participation Agreements*" in [Note 3](#) in the accompanying notes to the financial statements.
- (7) The Company acquired these investments through participation agreements. See "Participation Agreements" in [Note 4](#) in the accompanying notes to the financial statements.
- (8) On June 27, 2018, the Company entered into agreement with the borrower to provide funding commitment of up to \$17.0 million. As of December 31, 2019, this investment had an unfunded commitment of \$4.5 million.

*See notes to unaudited financial statements.*

**Terra Income Fund 6, Inc.**

**Notes to Financial Statements (Unaudited)**

**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. 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 February 8, 2018, a pooled investment vehicle advised by Axar Capital Management L.P. (“Axar”) entered into an investment agreement with Terra Capital Partners and its affiliates pursuant to which Axar acquired from the respective owners thereof a 65.7% economic and voting interest in Terra Capital Partners and an initial 49% economic interest, but no voting interest, in Terra Income Advisors. On November 30, 2018, Axar purchased the remaining 34.3% economic interest in Terra Capital Partners. On April 25, 2019, the Company held its annual meeting of stockholders, at which time a new Investment Advisory Agreement was approved by the affirmative vote of a majority of the outstanding shares of common stock entitled to vote at the annual meeting. Accordingly, on April 30, 2019, Axar acquired the remaining 51% economic interest and 100% of the voting interest in Terra Income Advisors, and the Company and Terra Income Advisors entered into a new Investment Advisory Agreement. Such new Investment Advisory Agreement has the same economic terms and is in all material respects otherwise on the same terms as the Investment Advisory Agreement in effect immediately prior to April 30, 2019, except for the date of the agreement. Pursuant to Section 15 of the 1940 Act, the new Investment Advisory Agreement has an initial two year term, but will be required to be renewed annually thereafter at an in-person meeting of the Board.

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,

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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 interim financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information. The accompanying interim financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-Q 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*.

*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:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 15,636,782	\$ 9,013,840
Restricted cash	1,159,878	1,273,444
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 16,796,660</u>	<u>\$ 10,287,284</u>

*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.

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*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 investment in preferred stock 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.

*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. The Company coordinated distribution payment dates so that the same price that was used for the semi-monthly closing date immediately following such distribution payment date used to calculate the purchase price for purchasers under the DRIP. In such case, a stockholder's reinvested distributions was used to purchase shares at a price equaled to 95% of the price that shares were sold in the offering at the semi-monthly closing immediately following the distribution payment date and such price may represent a premium to net asset value ("NAV") per share.

On August 7, 2018, the Board, including all of the directors who are not "interested persons" as defined in the 1940 Act, voted to adopt an amended and restated DRIP, which amended the Company's previous DRIP to provide that the Company now sells shares thereunder at a price equal to its most recently disclosed NAV per share of its common stock immediately prior to the applicable distribution payment date. The terms of the previous DRIP otherwise remain unchanged. In accordance with the terms of the DRIP, the amended and restated DRIP went into effect on September 8, 2018.

*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

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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 pays 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.

*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 at least 90% of its REIT net taxable income to the stockholders and meet certain tests regarding the nature of its income and assets. 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 three and nine months ended September 30, 2020 and 2019, the Company satisfied all the requirements for a REIT and accordingly, no provision for federal income taxes has been included in the financial statements.

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 three and nine months ended September 30, 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 2016-2019 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 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 financial statements, and reported amounts of income, expenses and gains and losses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

As of September 30, 2020, there has been a global outbreak of a novel coronavirus ("COVID-19"), which has spread to over 200 countries and territories, including the United States, and has spread to every state in the United States. The World Health Organization has designated COVID-19 as a pandemic, and numerous countries, including the United States, have declared national emergencies with respect to COVID-19. The global impact of the outbreak has been rapidly evolving, and as cases of COVID-19 have continued to be identified in additional countries, many countries have reacted by instituting quarantines and restrictions on travel, closing financial markets and/or restricting trading and operations of non-essential offices and retail centers. Such actions are creating disruption in global supply chains, and adversely impacting many industries. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions. The Company believes the estimates and assumptions underlying its financial statements are reasonable and supportable based on the information available as of September 30, 2020, however uncertainty over the ultimate impact COVID-19 will have on the global economy generally, and the Company's business in particular, makes any estimates and assumptions as of September 30, 2020 inherently less certain than they would be absent the current and potential impacts of COVID-19. Actual results may ultimately differ from those estimates.

The financial statements include loan investments at fair value of \$64.6 million and \$61.8 million at September 30, 2020 and December 31, 2019, respectively, and obligations under participation agreements at fair value of \$4.3 million and \$3.2 million at September 30, 2020 and December 31, 2019, 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:* In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, Fair Value Measurement (Topic 820): Disclosure framework — Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). The objective of ASU 2018-13 is to improve the

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effectiveness of disclosures in the notes to financial statements by facilitating clear communication of information required by U.S. GAAP. The amendments in ASU 2018-13 added, removed and modified certain fair value measurement disclosure requirements. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company adopted ASU 2018-13 on January 1, 2020. The adoption of ASU 2018-13 did not have a material impact on its financial statements and disclosures.

LIBOR is a benchmark interest rate referenced in a variety of agreements that are used by all types of entities. At the end of 2021, banks will no longer be required to report information that is used to determine LIBOR. As a result, LIBOR could be discontinued. Other interest rates used globally could also be discontinued for similar reasons. In March 2020, the FASB issued 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 companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. The provisions of optional relief include: (i) contract modifications — account for the modification as a continuation of the existing contract without additional analysis; (ii) hedging accounting — continue hedge accounting when certain critical terms of a hedging relationship change; and (iii) held-to-maturity (HTM) debt securities — one-time sale and/or transfer to available for sale or trading may be made for HTM debt securities that both reference an eligible reference rate and were classified as HTM before January 1, 2020. Companies can apply the amendments in ASU 2020-04 immediately. However, ASU 2020-04 will only be available for a limited time (generally through December 31, 2022). The Company is currently evaluating the impact of the reference rate reform and ASU 2020-04 on its financial statements and disclosures.

### Note 3. Investments

The following tables show the composition of the investment portfolio, at amortized cost and fair value at September 30, 2020 and December 31, 2019, respectively (with corresponding percentage of total portfolio investments):

	September 30, 2020			
	Investments at Amortized Cost	Percentage of Amortized Cost	Investments at Fair Value	Percentage of Fair Value
Loans	\$ 20,093,563	30.5 %	\$ 20,183,878	30.7 %
Loans through participation interest (Note 4)	44,717,006	67.7 %	44,443,755	67.5 %
Marketable securities	1,176,006	1.8 %	1,205,001	1.8 %
Total	<u>\$ 65,986,575</u>	<u>100.0 %</u>	<u>\$ 65,832,634</u>	<u>100.0 %</u>

  

	December 31, 2019			
	Investments at Amortized Cost	Percentage of Amortized Cost	Investments at Fair Value	Percentage of Fair Value
Loans	\$ 17,938,033	29.4 %	\$ 18,598,767	30.1 %
Loans through participation interest (Note 4)	43,026,580	70.6 %	43,237,452	69.9 %
Total	<u>\$ 60,964,613</u>	<u>100.0 %</u>	<u>\$ 61,836,219</u>	<u>100.0 %</u>

### 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 September 30, 2020 and December 31, 2019, obligations under participation agreements at fair value was \$4.3 million and \$3.2 million, and the weighted average contractual interest rate on the obligations under participation agreements was 13.0% for both periods. For the nine months ended September 30, 2020 and 2019, the Company transferred \$1.1 million and \$2.0 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 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.

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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 statistical 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 September 30, 2020 and December 31, 2019, according to the fair value hierarchy:

	<b>September 30, 2020</b>			
	<b>Fair Value Measurements</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investments:</b>				
Loans	\$ —	\$ —	\$ 20,183,878	\$ 20,183,878
Loans through participation interest	—	—	44,443,755	44,443,755
Marketable securities	1,205,001	—	—	1,205,001
<b>Total Investments</b>	<b>\$ 1,205,001</b>	<b>\$ —</b>	<b>\$ 64,627,633</b>	<b>\$ 65,832,634</b>
<b>Obligations under participation agreements</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4,295,636</b>	<b>\$ 4,295,636</b>
	<b>December 31, 2019</b>			
	<b>Fair Value Measurements</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investments:</b>				
Loans	\$ —	\$ —	\$ 18,598,767	\$ 18,598,767
Loans through participation interest	—	—	43,237,452	43,237,452
<b>Total Investments</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 61,836,219</b>	<b>\$ 61,836,219</b>
<b>Obligations under participation agreements</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,204,263</b>	<b>\$ 3,204,263</b>



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Changes in the Company's Level 3 investments for the nine months ended September 30, 2020 and 2019 were as follows:

	<b>Nine Months Ended September 30, 2020</b>			
	<b>Loans</b>	<b>Loans Through Participation</b>	<b>Total Loan Investments</b>	<b>Obligations under Participation Agreements</b>
Balance as of January 1, 2020	\$ 18,598,767	\$ 43,237,452	\$ 61,836,219	\$ 3,204,263
Purchases of investments	4,516,448	1,817,620	6,334,068	—
Repayments of investments	(2,500,000)	(558,889)	(3,058,889)	—
Net change in unrealized depreciation on investments	(570,419)	(484,123)	(1,054,542)	—
PIK interest income, net	—	286,340	286,340	—
Amortization and accretion of investment-related fees, net	96,226	145,355	241,581	22,105
Amortization of discount and premium on investments, net	42,856	—	42,856	—
Proceeds from obligations under participation agreements	—	—	—	1,129,112
Net change in unrealized depreciation on obligations under participation agreements	—	—	—	(59,844)
Balance as of September 30, 2020	<u>\$ 20,183,878</u>	<u>\$ 44,443,755</u>	<u>\$ 64,627,633</u>	<u>\$ 4,295,636</u>
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	\$ (321,158)	\$ (484,123)	\$ (805,281)	\$ (59,844)

	<b>Nine Months Ended September 30, 2019</b>			
	<b>Loans</b>	<b>Loans Through Participation</b>	<b>Total Loan Investments</b>	<b>Obligations under Participation Agreements</b>
Balance as of January 1, 2019	\$ 23,571,020	\$ 55,915,765	\$ 79,486,785	\$ —
Purchases of investments	7,763,542	5,460,612	13,224,154	—
Repayments of investments	(4,242,000)	(18,889,051)	(23,131,051)	—
Net change in unrealized depreciation on investments	(15,132)	(199,528)	(214,660)	—
PIK interest income, net	—	66,510	66,510	—
Amortization and accretion of investment-related fees, net	169,220	207,547	376,767	8,253
Amortization of discount and premium on investments, net	6,430	—	6,430	—
Proceeds from obligations under participation agreements	—	—	—	1,967,592
Net change in unrealized appreciation on obligations under participation agreements	—	—	—	7,384
Balance as of September 30, 2019	<u>\$ 27,253,080</u>	<u>\$ 42,561,855</u>	<u>\$ 69,814,935</u>	<u>\$ 1,983,229</u>
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	\$ 3,272	\$ (156,425)	\$ (153,153)	\$ 7,384

Transfers between levels, if any, are recognized at the beginning of the period in which transfers occur. For the nine months ended September 30, 2020 and 2019, there were no transfers.

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**Significant Unobservable Inputs**

The following table summarizes the significant unobservable inputs used by the Company to value the Level 3 investments as of September 30, 2020 and December 31, 2019. The table is not intended to be all-inclusive, but instead identifies the significant unobservable inputs relevant to the determination of fair values.

September 30, 2020						
Asset Category	Fair Value	Primary Valuation Technique	Unobservable Input	Range		Weighted
				Minimum	Maximum	Average
<b>Assets:</b>						
Loans	\$ 20,183,878	Discounted cash flow	Discount rate	11.15 %	12.95 %	12.68 %
Loans through participation interest	44,443,755	Discounted cash flow	Discount rate	12.45 %	19.05 %	14.05 %
<b>Total Level 3 Assets</b>	<b>\$ 64,627,633</b>					
<b>Liabilities:</b>						
Obligations under participation agreements	\$ 4,295,636	Discounted cash flow	Discount rate	12.95 %	12.95 %	12.95 %
December 31, 2019						
Asset Category	Fair Value	Primary Valuation Technique	Unobservable Input	Range		Weighted
				Minimum	Maximum	Average
<b>Assets:</b>						
Loans	\$ 18,598,767	Discounted cash flow	Discount rate	10.15 %	11.90 %	11.45 %
Loans through participation interest	43,237,452	Discounted cash flow	Discount rate	11.00 %	14.95 %	12.15 %
<b>Total Level 3 Assets</b>	<b>\$ 61,836,219</b>					
<b>Liabilities:</b>						
Obligations under participation agreements	\$ 3,204,263	Discounted cash flow	Discount rate	11.90 %	11.90 %	11.90 %

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.

**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 in connection with its Offering.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Amounts Included in the Statements of Operations</b>				
Base management fees	\$ 383,244	\$ 390,008	\$ 1,132,896	\$ 1,216,998
Incentive fees on capital gains <sup>(1)</sup>	(18,620)	(18,446)	42,997	(44,408)
Operating expense reimbursement to Adviser <sup>(2)</sup>	213,746	223,458	638,508	690,544
Servicing fees <sup>(3)</sup>	189,572	201,911	557,377	643,886

(1) For the three and nine months ended September 30, 2020, the Company reversed the previously accrued incentive fees on capital gains of \$18,620 and recorded incentive fees on capital gains of \$42,997, respectively. For the three and nine months ended September 30, 2019, the Company reversed the previously accrued incentive fees on capital gains of \$18,446 and \$44,408, respectively. 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.

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- (2) Amounts were 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 statements of operations in the period in which it was incurred. As of both September 30, 2020 and December 31, 2019, unpaid servicing fees were \$0.1 million and were included in accrued expenses on the statements of assets and liabilities.

### *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 statements of assets and liabilities. The following table presents a summary of Due to Adviser, net as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
<b>Due to Adviser:</b>		
Base management fee and expense reimbursement payable	\$ 389,925	\$ 365,895
Incentive fees on capital gains <sup>(1)</sup>	198,517	155,521
	<u>588,442</u>	<u>521,416</u>
<b>Due from Adviser:</b>		
Reimbursable costs - other operating expense	—	4,012
<b>Due to Adviser, net</b>	<u>\$ 588,442</u>	<u>\$ 517,404</u>

- (1) Incentive fees on capital gains are based on 20% of accumulated net realized and unrealized capital gains of \$1.0 million and \$0.8 million as of September 30, 2020 and December 31, 2019, 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' 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

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- 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' 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 receives a servicing fee at an annual rate of 1.125% of the most recently published NAV per share of the Company's common stock, excluding shares sold through the DRIP, in exchange for providing certain administrative support services. With respect to each share sold, the servicing fee will be payable annually on the anniversary of the applicable month of purchase. Terra Capital Markets, in its discretion, may re-allow a portion of such servicing fee to participating dealers for performing certain administrative support services. 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.

### ***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 September 30, 2020 and December 31, 2019. 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).

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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.

	September 30, 2020			December 31, 2019		
	Participating Interests	Principal Balance	Fair Value	Participating Interests	Principal Balance	Fair Value
370 Lex Part Deux, LLC <sup>(1)</sup>	35.0 %	\$18,355,593	\$17,992,411	35.0 %	\$16,922,482	\$16,882,760
Orange Grove Property Investors, LLC <sup>(1)</sup>	80.0 %	8,480,000	8,556,092	80.0 %	8,480,000	8,556,332
Stonewall Station Mezz LLC <sup>(1)(2)</sup>	44.0 %	4,498,762	4,519,049	44.0 %	4,308,818	4,348,735
RS JZ Driggs, LLC <sup>(1)</sup>	50.0 %	4,100,000	4,141,273	50.0 %	4,100,000	4,138,668
City Gardens 333 LLC <sup>(1)</sup>	14.0 %	3,923,076	3,922,584	14.0 %	3,926,961	3,928,089
NB Private Capital, LLC <sup>(1)(3)</sup>	16.7 %	3,371,455	3,404,805	16.7 %	3,333,333	3,363,464
TSG-Parcel 1, LLC <sup>(1)</sup>	11.1 %	1,888,889	1,907,541	11.1 %	2,000,000	2,019,404
Total		<u>\$44,617,775</u>	<u>\$44,443,755</u>		<u>\$43,071,594</u>	<u>\$43,237,452</u>

(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 principal amount includes PIK interest of \$0.2 million and \$0.1 million as of September 30, 2020 and December 31, 2019, respectively.

(3) The principal amount includes \$0.2 million of capitalized interest as of September 30, 2020.

*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 September 30, 2020 and December 31, 2019:

	September 30, 2020				
	Transfers treated as obligations under participation agreements				
	Principal	Fair Value	% Transferred	Principal	Fair Value
LD Milpitas Mezz, LP <sup>(1)</sup>	<u>\$ 17,000,000</u>	<u>\$ 17,182,545</u>	<u>25.0 %</u>	<u>\$ 4,250,000</u>	<u>\$ 4,295,636</u>
	December 31, 2019				
	Transfers treated as obligations under participation agreements				
	Principal	Fair Value	% Transferred	Principal	Fair Value
LD Milpitas Mezz, LP <sup>(1)</sup>	<u>12,483,552</u>	<u>12,817,047</u>	<u>25.0 %</u>	<u>3,120,888</u>	<u>3,204,263</u>

(1) 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. As of September 30, 2020, this loan was fully funded.

### 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., Terra Property Trust 2, 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

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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.

In January 2018, the Company and Terra Property Trust, Inc. co-invested in an \$8.9 million mezzanine loan that bears interest at an annual fixed rate of 12.75% and matured on March 31, 2019. In March 2019, the maturity date of the loan was extended to July 1, 2019. In June 2019, the maturity of the loan was extended to September 30, 2019. In August 2019, the loan was repaid in full.

### **Note 5. Commitments and Contingencies**

#### ***Impact of COVID-19***

As further discussed in [Note 2](#), the full extent of the impact of COVID-19 on the global economy generally, and the Company's business in particular, is uncertain. As of September 30, 2020, no contingencies have been recorded on the Company's balance sheet as a result of COVID-19, however as the global pandemic continues and the economic implications worsen, 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 COVID-19.

#### ***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 September 30, 2020, the Company did not have any unfunded commitments. As of December 31, 2019, the Company had \$4.5 million of unfunded commitments. 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 6. 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 at least 90% of its REIT net taxable income to the stockholders 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 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.

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

	Nine Months Ended September 30,	
	2020	2019
Net increase in net assets resulting from operations	\$ 4,119,293	\$ 2,996,375
Net change in unrealized depreciation on investments	1,025,547	214,660
Net change in unrealized depreciation on obligations under participation agreements	(59,844)	7,384
Incentive fees (reversal on incentive fees) on capital gains	42,997	(44,408)
Other temporary differences <sup>(1)</sup>	(248,549)	(249,424)
Total taxable income	<u>\$ 4,879,444</u>	<u>\$ 2,924,587</u>

(1) Other temporary differences primarily related to capitalization and amortization of transaction-related fees.

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

Source of Distribution	Nine Months Ended September 30,			
	2020		2019	
	Distribution Amount <sup>(1)</sup>	%	Distribution Amount <sup>(1)</sup>	%
Return of capital	\$ —	— %	\$ 2,856,687	49.4 %
Net investment income	3,673,258	100.0 %	2,924,587	50.6 %
Distributions on a tax basis:	<u>\$ 3,673,258</u>	<u>100.0 %</u>	<u>\$ 5,781,274</u>	<u>100.0 %</u>

(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.

As of September 30, 2020 and December 31, 2019, the Company did not have differences between amortized cost basis and tax basis cost of investments.

### Note 7. 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 the three months ended September 30, 2020 and 2019, the Company recorded \$0.03 million and \$0.02 million of directors' fees expense, respectively. For the nine months ended September 30, 2020 and 2019, the Company recorded \$0.09 million and \$0.07 million of directors' fees expense, respectively.

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.

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### Note 8. Capital

The Company's Offering ended on April 20, 2018, at which time the Company had sold 8,878,606 shares of common stock, including shares purchased by Terra Capital Partners and excluding shares sold through the DRIP, in both an initial private placement and from the Offering, for gross proceeds of \$103.6 million. On January 17, 2019, the Company sold 6,276 shares of common stock at a price of \$9.56 per share to an officer in a private placement. As of September 30, 2020, the Company had 8,342,227 shares of common stock outstanding.

On August 7, 2018, the Board voted to adopt an amended and restated DRIP, which amended the Company's previous DRIP to provide that the Company now sells shares thereunder at a price equal to its most recently disclosed NAV per share of its common stock immediately prior to the applicable distribution payment date. The terms of the previous DRIP otherwise remain unchanged. In accordance with the terms of the DRIP, the amended and restated DRIP went into effect on September 8, 2018.

#### 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. The share repurchase program will remain suspended until such time as the Board approves its resumption.

In addition, on March 25, 2020, the Board unanimously determined to terminate the Company's previously announced quarterly tender offer pursuant to the share repurchase program (the "Tender Offer") to purchase a portion of its issued and outstanding shares of common stock ("Shares"). In determining to terminate the Tender Offer, the Board considered factors related to the impact that the global pandemic of the novel coronavirus that causes the disease known as COVID-19 and the measures taken by governmental agencies and employers in response to COVID-19, including (i) the ongoing disruption to the global economy and financial markets, (ii) the suspension of business and temporary closure of facilities in an attempt to curb the spread of the illness, (iii) the desire to preserve liquidity in the Company, and (iv) the Company's projected financial condition, liquidity needs, capital needs and operating performance. As a result of this termination, no Shares were purchased in the Tender Offer and all Shares previously tendered and not withdrawn were promptly returned to tendering holders.

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

The following table provides information with respect to the repurchases of the Company's common stock for the nine months ended September 30, 2019:

<b>Period</b>	<b>Total Number of Shares Repurchased</b>	<b>Average Price Paid per Share</b>	<b>Maximum Number of Shares Allowed to be Repurchased</b>
<b>Nine Months Ended September 30, 2019:</b>			
Three Months Ended March 31, 2019	116,955	\$ 9.47	223,679
Three Months Ended June 30, 2019 <sup>(1)</sup>	357,127	\$ 9.37	223,679
Three Months Ended September 30, 2019 <sup>(1)</sup>	315,872	\$ 9.25	223,679

(1) Shares validly tendered exceeded the maximum number of shares allowed to be repurchased, however, the Company elected to purchase all shares validly tendered.

### Note 9. 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 September 30, 2020 and December 31, 2019, there were no dilutive shares.



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The following information sets forth the computation of the weighted average net increase in net assets per share from operations for the three and nine months ended September 30, 2020 and 2019:

Basic	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net increase in net assets resulting from operations	\$ 2,137,128	\$ 1,062,133	\$ 4,119,293	\$ 2,996,375
Weighted average common shares outstanding	8,324,079	8,643,824	8,290,934	8,857,663
Net increase in net assets per share resulting from operations	\$ 0.26	\$ 0.12	\$ 0.50	\$ 0.34

### Note 10. 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 nine months ended September 30, 2020 and 2019:

Record Date	Payment Date	Per Share Per Day	Distributions Paid in Cash	Distributions Paid through the DRIP	Total Distributions Paid/Accrued
<b>Nine Months Ended September 30, 2020</b>					
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
			<u>\$ 2,663,259</u>	<u>\$ 1,009,999</u>	<u>\$ 3,673,258</u>

Record Date	Payment Date	Per Share Per Day	Distributions Paid in Cash	Distributions Paid through the DRIP	Total Distributions Paid/Accrued
<b>Nine Months Ended September 30, 2019</b>					
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
			<u>\$ 4,098,569</u>	<u>\$ 1,682,705</u>	<u>\$ 5,781,274</u>

**Note 11. Financial Highlights**

The following is a schedule of financial highlights for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,	
	2020	2019
<b>Per share data:</b>		
Net asset value at beginning of period	\$ 9.16	\$ 9.47
Results of operations <sup>(1)</sup> :		
Net investment income	0.47	0.36
Net change in unrealized depreciation on investments	(0.12)	(0.02)
Net realized gain on investments	0.14	—
Net change in unrealized depreciation on obligations under participation <sup>(2)</sup> agreements	0.01	—
Net increase in net assets resulting from operations	0.50	0.34
Stockholder distributions <sup>(3)</sup> :		
Distributions from return of capital	—	(0.32)
Distributions from net investment income	(0.45)	(0.33)
Net decrease in net assets resulting from stockholder distributions	(0.45)	(0.65)
Capital share transactions:		
Other <sup>(4)</sup>	—	(0.01)
Net increase in net assets resulting from capital share transactions	—	(0.01)
Net asset value, end of period	\$ 9.21	\$ 9.15
Shares outstanding at end of period	8,342,227	8,366,302
Total return <sup>(5)</sup>	5.56 %	3.54 %
<b>Ratio/Supplemental data:</b>		
Net assets, end of period	\$ 76,819,482	\$ 76,582,005
Ratio of net investment income to average net assets <sup>(6)</sup>	6.97 %	5.28 %
Ratio of operating expenses to average net assets <sup>(6)(7)</sup>	7.03 %	6.20 %
Portfolio turnover	13.78 %	18.91 %

- (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 less than \$(0.005) for the nine months ended September 30, 2019.
- (3) The per share data for distributions reflects the actual amount of distributions declared per share during the period.
- (4) The continuous issuance of shares of common stock pursuant to the DRIP and the Company's repurchases of shares impacted the net asset value per share.
- (5) 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.
- (6) These ratios are calculated using annualized net investment income and operating expenses.
- (7) Excluding the reversal of previously accrued incentive fees on capital gains for the nine months ended September 30, 2020 and 2019, the ratio of operating expenses to average net assets was 6.97% and 6.26%, respectively.

**Note 12. Subsequent Events**

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

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### **Item 2. 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 unaudited financial statements and related notes thereto and other financial information included elsewhere in this quarterly report on Form 10-Q. In this report, “we,” “us” and “our” refer to Terra Income Fund 6, Inc.

#### **FORWARD-LOOKING STATEMENTS**

Some of the statements in this quarterly report on Form 10-Q constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this quarterly report on Form 10-Q may include, but are not limited to, statements as to:

- our future operating results;
- the potential negative impacts of COVID-19 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 COVID-19 outbreak 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, our investment adviser (“Terra Income Advisors”); Terra Capital Partners, LLC (“Terra Capital Partners”), our sponsor; Terra REIT Advisors, LLC, 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, the “Terra Income Funds”; Terra Property Trust Inc; Terra Property Trust 2, Inc.; Terra Offshore Funds REIT, LLC (formerly known as International Fund 3 REIT, LLC); Terra Real Estate Credit Opportunities Fund, L.P.; Terra 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 (“REIT”) 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 impact on our business of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations issued thereunder;
- 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 quarterly report on Form 10-Q 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 as “Risk Factors” in our Annual Report on Form 10-K. 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 quarterly report on Form 10-Q on information available to us on the date of this quarterly report on Form 10-Q. 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 (the “SEC”), 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 quarterly report on Form 10-Q are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

## **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, upon the raising of gross proceeds in excess of \$2.0 million from sales of shares of our common stock in our continuous public offering, including sales to persons who are affiliated with us or Terra Income Advisors (the “Minimum Offering Requirement”). Prior to satisfying the Minimum Offering Requirement, 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 business development company (“BDC”) under the Investment Company Act of 1940, as amended (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 regulated investment company (“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. Concurrent with the change in tax election, we changed our fiscal year end from September 30 to December 31 to satisfy the REIT requirement. We have elected to be taxed and have continued to qualify to be taxed as a REIT for the taxable year ending December 31, 2019.

Our investment activities are externally managed by Terra Income Advisors and supervised by our board of directors (the “Board”), a majority of whom are independent. Under the investment advisory and administration services agreement (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 also agreed to pay Terra Capital Markets a servicing fee. See “— Related Party Transactions — Compensation of Terra Income Advisors and Terra Capital Markets” below.

On February 8, 2018, a pooled investment vehicle advised by Axar Capital Management L.P. (“Axar”) entered into an investment agreement with Terra Capital Partners and its affiliates pursuant to which Axar acquired from the respective owners thereof a 65.7% economic and voting interest in Terra Capital Partners and an initial 49% economic interest, but no voting interest, in Terra Income Advisors. On November 30, 2018, Axar purchased the remaining 34.3% economic interest in Terra Capital Partners (such transactions, together, the “Axar Transaction”). On April 25, 2019, we held our annual meeting of stockholders, at which time a new Investment Advisory Agreement was approved by the affirmative vote of a majority of the outstanding shares of common stock entitled to vote at the annual meeting. Accordingly, on April 30, 2019, Axar acquired the remaining 51% economic interest and 100% of the voting interest in Terra Income Advisors and we and Terra Income Advisors entered into a new Investment Advisory Agreement. Such new Investment Advisory Agreement has the same economic terms and is in all material respects otherwise on the same terms as the Investment Advisory Agreement in effect immediately prior to April 30, 2019, except for the date of the agreement. Pursuant to Section 15 of the 1940 Act, the new Investment Advisory Agreement has an initial two year term, but will be required to be renewed annually thereafter at an in-person meeting of our Board.

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 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

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“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 commercial mortgage-backed securities or collateralized debt obligations.

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.

As of September 30, 2020, there has been a global outbreak of a novel coronavirus, or COVID-19, which has spread to over 200 countries and territories, including the United States, and has spread to every state in the United States. The World Health Organization has designated COVID-19 as a pandemic, and numerous countries, including the United States, have declared national emergencies with respect to COVID-19. The global impact of the outbreak has been rapidly evolving, and as cases of COVID-19 have continued to be identified in additional countries, many countries have reacted by instituting quarantines and restrictions on travel, closing financial markets and/or restricting trading, and limiting operations of non-essential offices and retail centers. Such actions are creating disruption in global supply chains, increasing rates of unemployment and adversely impacting many industries. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown.

We believe that compelling opportunities for us will emerge as a result of the economic downturn caused by the COVID-19 pandemic. While it has had a demonstrable effect on employment, the economy and the national psyche, the impact of the pandemic on property values has yet to be fully realized. The reason is that property values are the result of slow moving forces, including consumer behavior, supply and demand for space, availability and pricing of mortgage financing and investor demand for property. As these factors become clear and commercial real estate is repriced accordingly, we believe there will be abundant opportunities available to experienced alternative lenders such as us to provide financing for property acquisition, refinancing, development and redevelopment on attractive terms that reflect the new realities of the economy.

### ***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 from obligations under participation agreements, professional fees, payment of adviser 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 net asset value (“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;

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- 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 of 2002, 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’ 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 and/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.

### 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.

	September 30, 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	\$18,322,674	\$17,992,411	\$ —	\$ —	\$18,322,674	\$17,992,411
LD Milpitas Mezz, LP	17,093,563	17,182,545	4,282,006	4,295,636	12,811,557	12,886,909
Orange Grove Property Investors, LLC	8,525,880	8,556,092	—	—	8,525,880	8,556,092
Stonewall Station Mezz LLC	4,521,905	4,519,049	—	—	4,521,905	4,519,049
RS JZ Driggs, LLC	4,141,000	4,141,273	—	—	4,141,000	4,141,273
City Gardens 333 LLC	3,914,239	3,922,584	—	—	3,914,239	3,922,584
NB Private Capital, LLC	3,383,530	3,404,805	—	—	3,383,530	3,404,805
Dwight Mezz II LLC	3,000,000	3,001,333	—	—	3,000,000	3,001,333
TSG-Parcel 1, LLC	1,907,778	1,907,541	—	—	1,907,778	1,907,541
Total loan investments	64,810,569	64,627,633	4,282,006	4,295,636	60,528,563	60,331,997
Marketable securities	1,176,006	1,205,001	—	—	1,176,006	1,205,001
Total investments	\$65,986,575	\$65,832,634	\$ 4,282,006	\$ 4,295,636	\$61,704,569	\$61,536,998

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	December 31, 2019					
	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	\$16,871,046	\$16,882,760	\$ —	\$ —	\$16,871,046	\$16,882,760
LD Milpitas Mezz, LP	12,480,889	12,817,047	3,130,788	3,204,263	9,350,101	9,612,784
Orange Grove Property Investors, LLC	8,484,231	8,556,332	—	—	8,484,231	8,556,332
Stonewall Station Mezz LLC	4,310,524	4,348,735	—	—	4,310,524	4,348,735
RS JZ Driggs, LLC	4,127,222	4,138,668	—	—	4,127,222	4,138,668
City Gardens 333 LLC	3,906,762	3,928,089	—	—	3,906,762	3,928,089
NB Private Capital, LLC	3,306,795	3,363,464	—	—	3,306,795	3,363,464
Dwight Mezz II LLC	3,000,000	3,075,315	—	—	3,000,000	3,075,315
Hertz Clinton One Mezzanine, LLC	2,457,144	2,706,405	—	—	2,457,144	2,706,405
TSG-Parcel 1, LLC	2,020,000	2,019,404	—	—	2,020,000	2,019,404
<b>Total loan investments</b>	<b>\$60,964,613</b>	<b>\$61,836,219</b>	<b>\$ 3,130,788</b>	<b>\$ 3,204,263</b>	<b>\$57,833,825</b>	<b>\$58,631,956</b>

	Three Months Ended September 30,			
	2020		2019	
	Weighted Average Principal Amount	Weighted Average Coupon Rate	Weighted Average Principal Amount	Weighted Average Coupon Rate
Gross loan investments	\$ 65,551,561	12.3%	\$ 68,097,232	12.1%
Obligations under participation agreements	(4,250,000)	13.0%	(1,487,989)	13.0%
<b>Net loan investments <sup>(1)</sup></b>	<b>\$ 61,301,561</b>	<b>12.2%</b>	<b>\$ 66,609,243</b>	<b>12.1%</b>

	Nine Months Ended September 30,			
	2020		2019	
	Weighted Average Principal Amount	Weighted Average Coupon Rate	Weighted Average Principal Amount	Weighted Average Coupon Rate
Gross loan investments	\$ 65,148,016	12.3%	\$ 66,210,876	12.0%
Obligations under participation agreements	(4,085,391)	13.0%	(643,918)	13.0%
<b>Net loan investments <sup>(1)</sup></b>	<b>\$ 61,062,625</b>	<b>12.2%</b>	<b>\$ 65,566,958</b>	<b>12.1%</b>

(1) The weighted average coupon rate for net investments represents net interest income over the period calculated using the weighted average coupon rate and weighted average principal amount shown on the table (interest income on the investments less interest expense) divided by the weighted average principal amount of the net investments during the period.

**Portfolio Investment Activity**

For the three and nine months ended September 30, 2020, we invested \$1.2 million and \$6.0 million in marketable securities and received proceeds from sale of marketable securities of \$0.2 million and \$6.0 million, resulting in net investments of \$1.0 million and less than \$0.1 million, respectively. There were no marketable securities invested or sold for the three and nine months ended September 30, 2019.

Additionally, for the three months ended September 30, 2020 and 2019, we invested \$0.6 million and \$6.0 million in add-on loans, and had \$2.6 million and \$4.2 million of repayments, resulting in net loan repayments of \$2.0 million and net loan investments of \$1.8 million, respectively. For the nine months ended September 30, 2020 and 2019, we invested \$6.3 million and \$13.2 million in add-on loans, and had \$3.1 million and \$23.1 million of loan repayments, resulting in net loan investments of \$3.3 million and net loan repayments of \$9.9 million, respectively.

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Our portfolio composition, based on fair value at September 30, 2020 and December 31, 2019 was as follows:

	September 30, 2020			December 31, 2019		
	Investments at Fair Value	Percentage of Total Portfolio	Weighted Average Coupon Rate <sup>(1)</sup>	Investments at Fair Value	Percentage of Total Portfolio	Weighted Average Coupon Rate <sup>(1)</sup>
Loans	\$ 20,183,878	30.7 %	12.7 %	\$ 18,598,767	30.1 %	12.5 %
Loans through participation interest	44,443,755	67.5 %	12.1 %	43,237,452	69.9 %	11.9 %
Marketable securities	1,205,001	1.8 %	8.5 %	—	— %	— %
Total	<u>\$ 65,832,634</u>	<u>100.0 %</u>	<u>12.2 %</u>	<u>\$ 61,836,219</u>	<u>100.0 %</u>	<u>12.1 %</u>

(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 September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Hotel	\$ 21,701,594	33.0 %	\$ 17,165,782	27.8 %
Office	17,992,411	27.4 %	19,589,165	31.7 %
Condominium	8,556,092	13.0 %	8,556,332	13.8 %
Multifamily	8,063,857	12.2 %	4,138,668	6.7 %
Student housing	6,406,138	9.7 %	10,366,868	16.7 %
Land	1,907,541	2.9 %	2,019,404	3.3 %
Total loan investments	64,627,633	98.2 %	61,836,219	100.0 %
Marketable securities	1,205,001	1.8 %	—	— %
Total investments	<u>\$ 65,832,634</u>	<u>100.0 %</u>	<u>\$ 61,836,219</u>	<u>100.0 %</u>

### 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 September 30, 2020 and December 31, 2019, obligations under participation agreements at fair value was \$4.3 million and \$3.2 million, respectively, and the weighted average interest rate on the obligations under participation agreements as of both dates was 13.0%. For the nine months ended September 30, 2020 and 2019, we transferred \$1.1 million and \$2.0 million of investments to affiliates through participation agreements, respectively, and did not make any repayments on obligations under participation agreements.



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Operating results for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Total investment income	\$ 3,491,727	\$ 2,322,049	\$ 1,169,678	\$ 7,902,387	\$ 6,976,875	\$ 925,512
Total operating expenses	1,261,498	1,167,685	93,813	3,977,551	3,758,456	219,095
Net investment income	2,230,229	1,154,364	1,075,865	3,924,836	3,218,419	706,417
Net change in unrealized depreciation on investments	(173,793)	(88,082)	(85,711)	(1,025,547)	(214,660)	(810,887)
Net realized gain on investments	75,030	—	75,030	1,160,160	—	1,160,160
Net change in unrealized depreciation (appreciation) on obligations under participation agreements	5,662	(4,149)	9,811	59,844	(7,384)	67,228
Net increase in net assets resulting from operations	<u>\$ 2,137,128</u>	<u>\$ 1,062,133</u>	<u>\$ 1,074,995</u>	<u>\$ 4,119,293</u>	<u>\$ 2,996,375</u>	<u>\$ 1,122,918</u>

**Investment Income**

The composition of our investment income for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Interest income	\$ 2,181,815	\$ 2,295,588	\$ (113,773)	\$ 6,525,643	\$ 6,889,915	\$ (364,272)
Prepayment fee income	1,280,290	—	1,280,290	1,280,290	32,721	1,247,569
Other income	29,622	26,461	3,161	96,454	54,239	42,215
<b>Total investment income</b>	<u>\$ 3,491,727</u>	<u>\$ 2,322,049</u>	<u>\$ 1,169,678</u>	<u>\$ 7,902,387</u>	<u>\$ 6,976,875</u>	<u>\$ 925,512</u>

*Interest Income*

For the three and nine months ended September 30, 2020 as compared to the same periods in 2019, interest income decreased by \$0.1 million and \$0.4 million, respectively, primarily due to a decrease in net origination, extension and disposition fees income as well as a decrease in interest on cash. For both comparable periods, contractual interest income was substantially the same because the increase in contractual interest income on investments resulting from an increase in weighted average interest rate on investments was substantially offset by a decrease in contractual interest income on investments resulting from a decrease in weighted average principal balance on investments.

*Prepayment Fee Income*

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

For each of the three and nine months ended September 30, 2020, we received a prepayment fee income of \$1.3 million on a loan that the borrower repaid more than four years before maturity. For the nine months ended September 30, 2019, we received prepayment fee income of \$0.03 million on the early repayment of a loan.

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### Operating Expenses

The composition of our operating expenses for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Base management fees	\$ 383,244	\$ 390,008	\$ (6,764)	\$ 1,132,896	\$ 1,216,998	\$ (84,102)
(Reversal of incentive fees) incentive fees on capital gains	(18,620)	(18,446)	(174)	42,997	(44,408)	87,405
Operating expense reimbursement to Adviser	213,746	223,458	(9,712)	638,508	690,544	(52,036)
Servicing fees	189,572	201,911	(12,339)	557,377	643,886	(86,509)
Professional fees	256,111	233,388	22,723	890,866	843,782	47,084
Interest expense from obligations under participation agreements	144,763	55,184	89,579	426,333	71,733	354,600
Directors' fees	30,125	18,125	12,000	93,375	70,875	22,500
Insurance expense	53,881	53,584	297	161,420	160,254	1,166
General and administrative expenses	8,676	10,473	(1,797)	33,779	104,792	(71,013)
Total operating expenses	<u>\$ 1,261,498</u>	<u>\$ 1,167,685</u>	<u>\$ 93,813</u>	<u>\$ 3,977,551</u>	<u>\$ 3,758,456</u>	<u>\$ 219,095</u>

For the three and nine months ended September 30, 2020 as compared to the same periods in 2019, total operating expenses increased by \$0.1 million and \$0.2 million, respectively. 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 three and nine months ended September 30, 2020 as compared to the same periods in 2019, base management fees decreased by \$0.01 million and \$0.08 million, respectively, due to a decrease in our gross assets.

#### (Reversal of Incentive Fees) 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 three and nine months ended September 30, 2020, the Company reversed the previously accrued incentive fees on capital gains of \$18,620 and recorded incentive fees on capital gains of \$42,997, respectively. For the three and nine months ended September 30, 2019, the Company reversed the previously accrued incentive fees on capital gains of \$18,446 and \$44,408, respectively, because we had a decrease in unrealized appreciation on investments for the periods.

#### 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 three and nine months ended September 30, 2020 as compared to the same periods in 2019, operating expense reimbursement to Adviser decreased by \$9.7 thousand and \$52.0 thousand, respectively, primarily due to a decrease in our allocation ratio in relation to affiliated funds managed by Terra Income Advisors and its affiliates.

#### Servicing Fees

On September 30, 2017, we adopted the servicing plan (the "Servicing Plan") pursuant to which we pay Terra Capital Markets, LLC ("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, excluding shares sold through our distribution reinvestment plan, in exchange for providing stockholder-related administrative support services. With respect to each share sold, the servicing fee is payable annually on the anniversary of the applicable month of purchase.

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For the three and nine months ended September 30, 2020 as compared to the same periods in 2019, servicing fees decreased by \$0.01 million and \$0.09 million, respectively, due to a decrease in our NAV.

### *Interest Expense from Obligations under Participation Agreements*

For the three and nine months ended September 30, 2020 as compared to the same periods in 2019, interest expense from obligations under participation agreements increased by \$0.1 million and \$0.4 million, respectively, primarily due to an increase in the weighted average principal balance on obligations under participation agreements.

### *General and Administrative Expenses*

For the nine months ended September 30, 2020 as compared to the same period in 2019, general and administrative expenses decreased by \$0.1 million, primarily due to filing and printing fees incurred in connection with our 2019 annual stockholders meeting held on April 25, 2019.

### ***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.

2020 — For the three months ended September 30, 2020, we recorded an increase in net change in unrealized depreciation on investments of \$0.2 million, reflecting the early repayment of a loan, at which time we reversed the previously recorded unrealized gain. For the nine months ended September 30, 2020, we recorded an increase in net change in unrealized depreciation on investments of \$1.0 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”.

2019 — For the three and nine months ended September 30, 2019, we recognized an increases in unrealized depreciation on investments of \$0.1 million and \$0.2 million, respectively, primarily due to several loans approaching maturity in the current periods, of which two were settled at par.

### ***Net Realized Gain on Investments***

For the three and nine months ended September 30, 2020, we sold certain marketable securities and recognized a net realized gain on investments of \$0.1 million and \$1.2 million, respectively. There was no such gain for the three and nine months ended September 30, 2019.

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

For the three months ended September 30, 2020 and 2019, we recorded a net increase in net assets resulting from operations of \$2.1 million and \$1.1 million, respectively. Based on the weighted average shares of common stock outstanding, our per share net increase in net assets resulting from operations was \$0.26 and \$0.12, respectively.

For the nine months ended September 30, 2020 and 2019, we recorded a net increase in net assets resulting from operations of \$4.1 million and \$3.0 million, respectively. Based on the weighted average shares of common stock outstanding, our per share net increase in net assets resulting from operations was \$0.50 and \$0.34, 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 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. We have not decided whether, and to what extent, we will finance portfolio investments using debt or the specific form that any such financing would take. Accordingly, we cannot predict with certainty what terms any such financing would have or the

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costs we would incur in connection with any such arrangement. We currently do not anticipate issuing any preferred stock; however, our charter authorizes us the ability to do so.

We do not have any material commitments for capital resources as of the end of the last fiscal year. We are not aware of any known trends in our capital resources or any material changes in the mix and relative cost of such resources

### ***Cash Flows for the Nine Months Ended September 30, 2020***

*Operating Activities* — For the nine months ended September 30, 2020, net cash provided by operating activities was \$0.7 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 nine months ended September 30, 2020 were primarily related to repayments and proceeds from sale of investments of \$9.0 million, cash generated from operations of \$4.0 million, partially offset by purchases of investments of \$12.3 million

*Financing Activities* — For the nine months ended September 30, 2020, net cash used in financing activities was \$1.5 million, primarily related to distributions paid to stockholders of \$2.7 million, partially offset by proceeds from obligations under participation agreements of \$1.1 million.

### ***Cash Flows for the Nine Months Ended September 30, 2019***

*Operating Activities* — For the nine months ended September 30, 2019, net cash provided by operating activities was \$12.4 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 provided by operating activities for the nine months ended September 30, 2019 were primarily repayments of investments of \$23.1 million, cash generated from operations of \$2.5 million, partially offset by purchases of investments of \$13.2 million.

*Financing Activities* — For the nine months ended September 30, 2019, net cash used in financing activities was \$9.5 million, primarily related to distributions paid to stockholders of \$4.1 million and payments for repurchases of common stock under stock repurchase plan of \$7.4 million, partially offset by proceeds from obligations under participation agreements of \$2.0 million.

## **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 that 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 at least 90% of our REIT net taxable income to the stockholders 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 nine months ended September 30, 2020 and 2019, 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

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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 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 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 financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. In preparing the 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 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 preferred stock 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.

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### ***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 its REIT net taxable income to the stockholders and meet certain tests regarding the nature of its 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 three and nine months ended September 30, 2020 and 2019, we did not incur any interest or penalties.

### **Contractual Obligations**

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. The Investment Advisory Agreement became effective on June 24, 2015, the date that we met the Minimum Offering Requirement. 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. For the three months ended September 30, 2020 and 2019, we incurred \$0.4 million and \$0.4 million in base management fee under the Investment Advisory Agreement, respectively. For the nine months ended September 30, 2020 and 2019, we incurred \$1.1 million and \$1.2 million in base management fee under the Investment Advisory Agreement, respectively. For the three and nine months ended September 30, 2020, the Company reversed the previously accrued incentive fees on capital gains of \$18,620 and recorded incentive fees on capital gains of \$42,997, respectively. For the three and nine months ended September 30, 2019, the Company reversed the previously accrued incentive fees on capital gains of \$18,446 and \$44,408, respectively, because we had net unrealized capital losses for the periods. No incentive fees on capital gains are actually payable by us with respect to unrealized gains unless and until those gains are realized. For the three months ended September 30, 2020 and 2019, we incurred \$0.2 million and \$0.2 million in allocated administrative expenses reimbursable to Terra Income Advisors, respectively. For the nine months ended September 30, 2020 and 2019, we incurred \$0.6 million and \$0.7 million in allocated administrative expenses reimbursable to Terra Income Advisors, respectively.

On September 30, 2017, we adopted the Servicing Plan. Pursuant to the Servicing Plan, Terra Capital Markets receives a servicing fee at an annual rate of 1.125% of the most recently published NAV per share of our common stock, excluding shares sold through the DRIP, in exchange for providing certain administrative support services. With respect to each share sold, the servicing fee will be payable annually on the anniversary of the applicable month of purchase. Terra Capital Markets, in its discretion, may re-allow a portion of such servicing fee to participating dealers for performing certain administrative support services. The Servicing Plan will remain in effect for so long as such continuance is approved quarterly by the 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, the 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.

For both the three months ended September 30, 2020 and 2019, we recorded servicing fees of \$0.2 million, and for both the nine months ended September 30, 2020 and 2019, we recorded servicing fees of \$0.6 million. As of both September 30, 2020 and December 31, 2019, unpaid servicing fees were \$0.1 million and were included in accrued expenses on the statements of assets and liabilities.

### **Off-Balance Sheet Arrangements**

Other than contractual commitments and other legal contingencies incurred in the normal course of our business, we do not have any off-balance sheet financings or liabilities.

### **Related Party Transactions**

#### ***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 2.0% 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 2.0% (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 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 2.0% (8.0% 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 (10.0% annualized) is payable to Terra Income Advisors, all or any portion of which may be waived or deferred in Terra Income Advisors’ 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 20.0% 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
- 20.0% of the amount of our 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 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 20.0% 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 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’ 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 and/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. For both the three months ended September 30, 2020 and 2019, we recorded servicing fees of \$0.2 million, and for both the nine months ended September 30, 2020 and 2019, we recorded servicing fees of \$0.6 million. As of both September 30, 2020 and December 31, 2019, unpaid servicing fees were \$0.1 million and were included in accrued expenses on the statements of assets and liabilities.

### ***Potential Conflicts of Interest***

Terra Income Advisors, our investment adviser, currently serves as the investment manager to the Terra Income Funds. 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 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 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 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 the Terra Income Funds, Terra Property Trust, Inc., Terra Property Trust 2, 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, 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.

### **Item 3. 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 market interest rates will not have a material adverse effect on our net investment income.

As of September 30, 2020, we had four investments with an aggregate principal balance of \$47.8 million that provides for interest income indexed to LIBOR, all of which are subject to a LIBOR floor. A decrease of 1% or an increase of 1% in LIBOR would have no impact on our annual interest income because the interest rates are protected by a LIBOR floor in the respective loan agreements.

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 three and nine months ended September 30, 2020 and 2019, we did not engage in interest rate hedging activities.

In addition, we may have risks regarding portfolio valuation. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Valuation of Investments.”



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### **Item 4. 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 September 30, 2020. 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.

#### ***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.

## **PART II – OTHER INFORMATION**

### **Item 1. 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 1A. Risk Factors.**

There have been no material changes from the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2019 other than the ones below.

#### ***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.***

Since its discovery in December 2019, a new strain of coronavirus, which causes the viral disease known as COVID-19, has spread from China to most other countries, including the United States. The World Health Organization has declared the coronavirus outbreak a pandemic, the Health and Human Services Secretary has declared a public health emergency in the United States in response to the outbreak and the President of the United States has declared the coronavirus outbreak a national emergency. The outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving and many countries, including the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession. Quarantines and shelter-at-home orders have been imposed in many areas of the country in response to outbreaks of COVID-19, and may be imposed more extensively in the future. In many cases, states of emergency have been declared, schools have been closed, bans on public events have been instituted, limitations on travel have been imposed, and businesses have been ordered to temporarily cease all in-person operations. These responses may be in place for a considerable period of time and may cause significant economic disruption, which could adversely affect our performance and financial results. The COVID-19 pandemic and related government responses are expected to have a continued adverse impact on economic and market conditions in the short term and potentially the long term, and could trigger a period of global economic slowdown. 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, or mezzanine loans secured by, office, multifamily and hospitality properties located in the United States, the COVID-19 pandemic will impact our investments and operating results to the extent that its continued spread within the United States 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 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. In particular, with respect to our investments secured by hospitality properties, a variety of factors related to the COVID-19 pandemic have, and are expected to continue to, cause a decline in business and leisure travel, including, but not limited to, (i) restrictions on travel imposed by governmental entities and employers, (ii) the postponement or cancellation of industry conventions and conferences, music and arts festivals, sporting events and other large public gatherings, (iii) the closure of amusement parks, museums and other tourist attractions, (iv) the closure of colleges and universities, and (v) negative public perceptions of travel and public gatherings in light of the perceived risks associated with the coronavirus. Since certain aspects of the services provided by the entities in which we have invested involve face to face interaction, the related COVID-19 quarantines and work and travel restrictions may reduce participation or result in a loss of business. In addition, construction projects may incur delays due to federal, state or local laws or guidelines which may impact the ability of development managers, contractors, subcontractors and other development-related personnel to perform work under normal circumstances.

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 stockholders. The extent to which the coronavirus pandemic impacts our investments and operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat its impact, among others.

***Only a limited number of shares may be repurchased, however, 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, on March 25, 2020, in light of the difficult market conditions caused by the COVID-19 pandemic, and in an effort to preserve liquidity, the Board unanimously approved the suspension of the operation of the share repurchase program, effective as of April 30, 2020. There can be no assurances about when or if the Board will determine to approve the resumption of the share repurchase program. 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.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

Not applicable.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

Not applicable.

TABLE OF CONTENTS

Item 6. Exhibits.

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

<b>Exhibit No.</b>	<b>Description and Method of Filing</b>
3.1	<a href="#"><u>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).</u></a>
3.2	<a href="#"><u>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).</u></a>
3.3	<a href="#"><u>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).</u></a>
4.1	<a href="#"><u>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).</u></a>
4.2	<a href="#"><u>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)</u></a>
31.1*	<a href="#"><u>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.</u></a>
31.2*	<a href="#"><u>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.</u></a>
32.1*	<a href="#"><u>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.</u></a>

\* Filed herewith.

## 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: November 12, 2020

### **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)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Vikram S. Uppal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Terra Income Fund 6, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2020

/s/ Vikram S. Uppal

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Vikram S. Uppal

Chairman of the Board, Chief Executive Officer and President  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory M. Pinkus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Terra Income Fund 6, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial report to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2020

/s/ Gregory M. Pinkus

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Gregory M. Pinkus

Chief Financial Officer,

Chief Operating Officer, Treasurer and Secretary

(Principal Financial and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Terra Income Fund 6, Inc. (the “Company”) for the quarterly period ended September 30, 2020 as filed with the Securities Exchange Commission on the date hereof (the “Report”), I, Vikram S. Uppal, Chief Executive Officer of the Company, and I, Gregory M. Pinkus, Chief Financial Officer of the Company, each certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2020

/s/ Vikram S. Uppal

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

/s/ Gregory M. Pinkus

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