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, 2019

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

Commission File Number: 814-01136

Terra Income Fund 6, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

Securities registered pursuant to Section 12(b) of the Act: 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 ☐	Accelerated filer ☐
Non-accelerated filer ☑	Smaller reporting company ☐
	Emerging growth company ☑

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

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

As of November 13, 2019, the registrant had 8,385,612 shares of common stock, $0.001 par value, outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	September 30, 2019	December 31, 2018
	(unaudited)	
Assets		
Investments, at fair value — non-controlled (amortized cost of $26,729,034 and $23,031,840, respectively)	$ 27,253,080	$ 23,571,020
Investment through participation interest, at fair value — non-controlled (amortized cost of $42,342,109 and $55,496,493, respectively) (Note 4)	42,561,855	55,915,765
Total investments	69,814,935	79,486,785
Cash and cash equivalents	9,013,840	6,072,043
Restricted cash	1,273,444	1,300,021
Interest receivable	575,399	669,404
Prepaid expenses and other assets	48,706	69,133
Total assets	80,726,324	87,597,386
Liabilities		
Obligations under participation agreements, at fair value (proceeds of $1,967,592 and $0, respectively) (Note 4)	1,983,229	—
Interest reserve and other deposits held on investments	1,273,444	1,300,021
Due to Adviser, net	541,837	593,027
Accrued expenses	275,479	375,075
Interest payable from obligations under participation agreements	20,168	—
Distributions payable	2,643	—
Other liabilities	47,519	290,244
Total liabilities	4,144,319	2,558,367
Net assets	$ 76,582,005	$ 85,039,019
Commitments and contingencies (See Note 5)		
Components of net assets:		
Common stock, $0.001 par value, 450,000,000 shares authorized, and 8,366,302 and 8,975,103 shares issued and outstanding, respectively	$ 8,366	$ 8,975
Capital in excess of par	76,038,228	84,566,421
Accumulated distributable net income	535,411	463,623
Net assets	$ 76,582,005	$ 85,039,019
Net asset value per share	$ 9.15	$ 9.47

See notes to unaudited financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Investment income				
Interest income	$ 2,295,588	$ 2,578,296	$ 6,889,915	$ 6,861,836
Prepayment fee income	—	—	32,721	—
Other fee income	26,461	14,468	54,239	65,373
Total investment income	2,322,049	2,592,764	6,976,875	6,927,209
Operating expenses				
Base management fees	390,008	427,829	1,216,998	1,291,879
Incentive fees on capital gains [(1)]	(18,446)	(8,778)	(44,408)	42,561
Operating expense reimbursement to Adviser (Note 4)	223,458	266,395	690,544	673,214
Servicing fees (Note 2, Note 4)	201,911	242,137	643,886	715,552
Professional fees	233,388	482,564	843,782	1,152,272
Interest expense from obligations under participation agreements (Note 4)	55,184	60,435	71,733	179,348
Marketing expenses	—	41	—	91,570
Amortization of deferred offering costs	—	—	—	114,132
Directors' fees	18,125	27,125	70,875	83,250
Insurance expense	53,584	52,977	160,254	159,302
General and administrative expenses	10,473	13,448	104,792	33,531
Total operating expenses	1,167,685	1,564,173	3,758,456	4,536,611
Net investment income	1,154,364	1,028,591	3,218,419	2,390,598
Net change in unrealized appreciation on investments	(88,082)	(37,536)	(214,660)	228,930
Net change in unrealized (appreciation) depreciation on obligations under participation agreements	(4,149)	740	(7,384)	300
Net increase in net assets resulting from operations	$ 1,062,133	$ 991,795	$ 2,996,375	$ 2,619,828
Per common share data:				
Net investment income per share	$ 0.13	$ 0.11	$ 0.36	$ 0.27
Net increase in net assets resulting from operations per share	$ 0.12	$ 0.11	$ 0.34	$ 0.29
Weighted average common shares outstanding	8,643,824	9,096,260	8,857,663	8,928,728

(1) For the three and nine months ended September 30, 2019 and the three months ended September 30, 2018, the Company reversed $18,446, $44,408 and $8,778 of incentive fees, respectively, which were previously accrued. Incentive fees on capital gains are based on 20% of net 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operations				
Net investment income	$ 1,154,364	$ 1,028,591	$ 3,218,419	$ 2,390,598
Net change in unrealized appreciation on investments	(88,082)	(37,536)	(214,660)	228,930
Net change in unrealized (appreciation) depreciation on obligations under participation agreements	(4,149)	740	(7,384)	300
Net increase in net assets resulting from operations	1,062,133	991,795	2,996,375	2,619,828
Stockholder distributions				
Distributions from return of capital	(848,817)	(1,129,237)	(2,856,687)	(3,204,785)
Distributions from net investment income	(1,051,707)	(870,831)	(2,924,587)	(2,619,821)
Net decrease in net assets resulting from stockholder distributions	(1,900,524)	(2,000,068)	(5,781,274)	(5,824,606)
Capital share transactions				
Issuance of common stock	—	—	60,000	9,711,706
Reinvestment of stockholder distributions	540,353	559,519	1,682,705	1,723,550
Selling commissions and dealer manager fees	—	—	—	(499,934)
Offering costs	—	—	(900)	—
Repurchases of common stock under stock repurchase plan	(2,960,072)	(1,618,971)	(7,413,920)	(2,928,173)
Net (decrease) increase in net assets resulting from capital share transactions	(2,419,719)	(1,059,452)	(5,672,115)	8,007,149
Net (decrease) increase in net assets	(3,258,110)	(2,067,725)	(8,457,014)	4,802,371
Net assets, at beginning of period	79,840,115	87,841,135	85,039,019	80,971,039
Net assets, at end of period	$ 76,582,005	$ 85,773,410	$ 76,582,005	$ 85,773,410
Capital share activity				
Shares outstanding, at beginning of period	8,628,149	9,084,383	8,975,103	8,211,549
Shares issued from subscriptions	—	—	6,276	894,304
Shares issued from reinvestment of stockholder distributions	58,161	55,397	179,013	167,809
Shares repurchased under stock repurchase plan	(320,008)	(167,422)	(794,090)	(301,304)
Shares outstanding, at end of period	8,366,302	8,972,358	8,366,302	8,972,358

See notes to unaudited financial statements.

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 2,996,375	$ 2,619,828
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net change in unrealized appreciation on investments	214,660	(228,930)
Net change in unrealized appreciation on obligations under participation agreements	7,384	(300)
Amortization of deferred offering costs	—	114,132
Amortization and accretion of investment-related fees, net	(368,514)	(379,080)
Amortization of discount on investments	(6,430)	(6,428)
Paid-in-kind interest, net	(66,510)	(141,682)
Purchases of investments	(13,224,154)	(23,232,200)
Repayments of investments	23,131,051	6,179,599
Changes in operating assets and liabilities:		
Decrease (increase) in interest receivable	94,005	(134,158)
Decrease in prepaid expenses and other assets	20,427	29,829
Decrease in interest reserve and other deposits held on investments	(26,577)	(1,403,084)
Decrease in due to Adviser, net	(51,190)	(94,590)
(Decrease) increase in accrued expenses	(99,596)	259,101
Decrease in directors’ fees payable	—	(5,625)
Increase (decrease) in interest payable from obligations under participation agreements	20,168	(650)
Decrease in payable for unsettled stock subscriptions	—	(328,824)
(Decrease) increase in other liabilities	(242,725)	196,219
Net cash provided by (used in) operating activities	12,398,374	(16,556,843)
Cash flows from financing activities:		
Proceeds from obligations under participation agreements	1,967,592	—
Issuance of common stock	60,000	9,711,706
Payments of selling commissions and dealer manager fees	—	(530,731)
Payments of offering costs	(900)	—
Payments of stockholder distributions	(4,095,926)	(4,101,056)
Payments for repurchases of common stock under stock repurchase plan	(7,413,920)	(3,582,730)
Net cash (used in) provided by financing activities	(9,483,154)	1,497,189
Net increase (decrease) in cash, cash equivalents and restricted cash	2,915,220	(15,059,654)
Cash, cash equivalents and restricted cash, at beginning of period	7,372,064	32,327,270
Cash, cash equivalents and restricted cash, at end of period (Note 2)	$ 10,287,284	$ 17,267,616
Supplemental disclosure of cash flow information:		
Interest paid on obligations under participation agreements	$ 43,312	$ 178,100
Supplemental non-cash information:		
Reinvestment of stockholder distributions	$ 1,682,705	$ 1,723,550

See notes to unaudited financial statements.

Terra Income Fund 6, Inc.
Schedule of Investments (Unaudited)
September 30, 2019

Portfolio Company [1]	Collateral Location	Property Type	Coupon Rate [2]	Current Interest Rate	Exit Fee	Acquisition Date	Maturity Date	Principal	Amortized Cost	Fair Value [3]	% of Net Assets [4]
Investments — non-controlled											
Mezzanine loans:											
Hertz Clinton One Mezzanine, LLC	US - MS	Office	12.00%	12.00%	0.00%	3/18/2016	1/1/2025	$ 2,500,000	$ 2,455,001	$ 2,701,180	3.5 %
YIP Santa Maria, LLC	US - CA	Hotel	13.00%	13.00%	1.00%	11/15/2016	12/9/2019	4,500,000	4,540,634	4,545,312	5.9 %
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	3,100,869	4.1 %
Residential X Mezz Concord, LLC and Center Associates Mezz, LLC [8]	US - DE	Multifamily	12.00%	12.00%	2.00%	8/8/2017	9/5/2020	8,810,000	8,905,829	8,972,805	11.7 %
Stonewall Station Mezz LLC [5][7]	US - NC	Hotel	Current 12.00% PIK 2.00%	14.00%	1.00%	5/31/2018	5/20/2021	4,283,450	4,278,260	4,315,218	5.6 %
LD Milpitas Mezz, LP [5][6][9]	US - CA	Hotel	LIBOR + 10.25% (2.75% Floor)	13.00%	1.00%	6/27/2018	6/27/2021	7,870,367	7,827,570	7,932,914	10.4 %
									31,007,294	31,568,298	41.2 %
Preferred equity investments:											
City Gardens 333 LLC [5][7]	US - CA	Student housing	LIBOR + 9.95% (2.00% Floor)	11.97%	0.00%	4/11/2018	4/1/2021	3,809,858	3,804,520	3,811,004	5.0 %
RS JZ Driggs, LLC [5][7]	US - NY	Multifamily	12.25%	12.25%	1.00%	5/1/2018	5/1/2020	4,100,000	4,116,939	4,138,427	5.4 %
Orange Grove Property Investors, LLC [5][7]	US - CA	Condominium	LIBOR + 8.00% (4.00% Floor)	12.00%	1.00%	5/24/2018	6/1/2021	7,480,000	7,465,817	7,547,002	9.8 %
NB Private Capital, LLC [5][7]	Various	Student housing	LIBOR + 10.50% (3.50% Floor)	14.00%	1.00%	7/27/2018	7/27/2020	4,250,000	4,240,861	4,257,085	5.6 %
370 Lex Part Deux, LLC [5][7]	US - NY	Office	LIBOR + 8.25% (2.44% Floor)	10.69%	0.00%	12/17/2018	1/9/2022	16,473,320	16,415,712	16,473,320	21.5 %
									36,043,849	36,226,838	47.3 %
First mortgages:											
TSG-Parcel 1, LLC [5][7]	US - CA	Land	LIBOR + 10.00% (2.00% Floor)	12.02%	1.00%	7/10/2015	12/31/2019	2,000,000	2,020,000	2,019,799	2.6 %
									2,020,000	2,019,799	2.6 %
Total Investments — non-controlled									**$ 69,071,143**	**$ 69,814,935**	**91.1%**

(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 $76.6 million as of September 30, 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 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, 2019, this investment had an unfunded commitment of $1.2 million.
(9) On June 27, 2018, the Company entered into agreement with the borrower to provide funding commitment of up to $17.0 million. As of September 30, 2019, this investment had an unfunded commitment of $9.1 million.

See notes to unaudited financial statements.

Terra Income Fund 6, Inc.
Schedule of Investments
December 31, 2018

Portfolio Company [1]	Collateral Location	Property Type	Coupon Rate [2]	Current Interest Rate	Exit Fee	Acquisition Date	Maturity Date	Principal	Amortized Cost	Fair Value [3]	% of Net Assets [4]
Investments — non-controlled											
Mezzanine loans:											
Hertz Clinton One Mezzanine, LLC	US - MS	Office	12.00%	12.00%	0.00%	3/18/2016	1/1/2025	$ 2,500,000	$ 2,448,572	$ 2,722,123	3.2 %
YIP Santa Maria, LLC	US - CA	Hotel	13.00%	13.00%	1.00%	11/15/2016	12/9/2019	4,500,000	4,518,478	4,544,512	5.3 %
140 Schermerhorn Street Mezz, LLC [5][7]	US - NY	Hotel	12.00%	12.00%	1.00%	11/16/2016	12/1/2019	7,500,000	7,530,018	7,574,247	8.9 %
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	3,106,630	3.7 %
Residential X Mezz Concord, LLC and Center Associates Mezz, LLC [8]	US - DE	Multifamily	12.00%	12.00%	2.00%	8/8/2017	9/5/2020	8,810,000	8,841,641	8,956,203	10.5 %
221 W. 17th Street Owner, LLC [9]	US - NY	Condominium	12.75%	12.75%	1.00%	1/19/2018	3/31/2019	4,200,000	4,223,149	4,241,552	5.0 %
Stonewall Station Mezz LLC [5][7]	US - NC	Hotel	Current 12.00% PIK 2.00%	14.00%	1.00%	5/31/18	5/20/2021	3,761,540	3,734,904	3,792,025	4.5 %
LD Milpitas Mezz, LP [5][6][10]	US - CA	Hotel	LIBOR + 10.25% (2.75% Floor)	13.00%	1.00%	6/27/2018	6/27/2021	—	—	—	— %
									34,296,762	34,937,292	41.1 %
Preferred equity investments:											
City Gardens 333 LLC [5][7]	US - CA	Student housing	LIBOR + 9.95% (2.00% Floor)	12.45%	0.00%	4/11/2018	4/1/2021	2,914,245	2,888,629	2,914,245	3.4 %
RS JZ Driggs, LLC [5][7]	US - NY	Multifamily	12.25%	12.25%	1.00%	5/1/2018	5/1/2020	2,020,675	2,000,019	2,037,807	2.4 %
Orange Grove Property Investors, LLC [5][7]	US - CA	Condominium	LIBOR + 8.00% (4.00% Floor)	12.00%	1.00%	5/24/2018	6/1/2021	6,680,000	6,625,110	6,733,003	7.9 %
NB Private Capital, LLC [5][7]	Various	Student housing	LIBOR + 10.50% (3.50% Floor)	14.00%	1.00%	7/27/2018	7/27/2020	4,250,000	4,212,203	4,284,030	5.1 %
370 Lex Part Deux, LLC [5][7]	US - NY	Office	LIBOR + 8.25% (2.44% Floor)	10.75%	0.00%	12/17/2018	1/9/2022	15,225,000	15,148,875	15,225,000	17.9 %
									30,874,836	31,194,085	36.7 %
First mortgages:											
TSG-Parcel 1, LLC [5][7]	US - CA	Land	LIBOR + 10.00% (2.00% Floor)	12.50%	1.00%	7/10/2015	12/31/2019	2,000,000	2,020,000	2,019,799	2.4 %
OHM Atlanta Owner, LLC [5][7][11]	US - GA	Land	LIBOR + 9.00% (3.00% Floor)	12.00%	1.00%	6/20/2017	1/24/2019	11,224,490	11,336,735	11,335,609	13.3 %
									13,356,735	13,355,408	15.7 %
Total Investments — non-controlled									**$ 78,528,333**	**$ 79,486,785**	**93.5%**

(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.
(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 $85.0 million as of December 31, 2018.
(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 December 31, 2018, this investment had an unfunded commitment of $1.2 million.
(9) This investment was co-invested with Terra Property Trust, Inc.
(10) 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, 2018, none of the commitment has been funded.
(11) On January 11, 2019, the borrower made a partially repayment of $7.6 million on this investment. In connection with the repayment, the maturity date of the investment was extended to March 5, 2019.

See notes to unaudited financial statements.

Note 1. Principal Business and Organization

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

On December 11, 2018, the Company's board of directors (the "Board") voted to approve a change in its fiscal year from September 30 to December 31 in connection with its plan to qualify as a real estate investment trust ("REIT") for U.S. federal income tax purposes under Subchapter M of the Code. The Board delegated to its management the authority to determine when such change in fiscal year would take effect. On December 31, 2018, the Company's management determined to change its tax election from taxation as a RIC to taxation as a REIT under Subchapter M of the Code. The REIT tax election allows the Company to benefit from the preferential tax treatment afforded to 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.

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.

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 and (ii) preferred equity real estate investments in U.S. companies qualifying as "eligible portfolio companies" under the 1940 Act. The Company may also purchase select commercial real estate-related debt securities, such as commercial mortgage-backed securities or collateralized debt obligations. The Company intends to either directly or through an affiliate, structure, underwrite and originate most of its investments, as it believes that doing so will provide it with the best opportunity to invest in loans that satisfy its standards, establish a direct relationship with the borrower and optimize the terms of its investments. The Company may hold its investments until their scheduled maturity dates or may sell them if the Company is able to command favorable terms for their disposition.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation: The accompanying 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 Standards Codification ("ASC") Topic 946, *Financial Services — Investment Companies*. Certain prior period information has been reclassified to conform to the current period presentation.

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:

	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 9,013,840	$ 15,753,725
Restricted cash	1,273,444	1,513,891
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 10,287,284	$ 17,267,616

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 interest method as interest income over the life of the investment. Income accrual is generally suspended for investments at the earlier of the date at which payments become 90 days past due or when, in the opinion of the Adviser, recovery of income and principal becomes doubtful. Interest is then recorded on the basis of cash received until accrual is resumed when the investment becomes contractually current and performance is demonstrated to be resumed. The amortized cost of investments represents the original cost adjusted for the accretion of discounts on investments and exit fees, and the amortizations of premiums on investments and origination fees. As prepayment(s), partial or full, occurs on an investment, prepayment income is recognized. All other income is recognized when earned.

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

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

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

- Level 1 — observable inputs, such as quoted prices in active markets. Publicly listed equities 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 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.

Stockholder Dividends and Distributions: Dividends and distributions to stockholders, which are determined in accordance with federal income tax regulations, are recorded on the record 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" distribution reinvestment plan 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 net asset value per share of its common stock immediately prior to the applicable distribution payment date. The terms of the previous distribution reinvestment plan otherwise remain unchanged. In accordance with the terms of the DRIP, the amended and restated distribution reinvestment plan 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 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 net asset value 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 initially elected to operate so as to qualify to be taxed as a RIC as defined under Subchapter M of the Code. Generally, a RIC is not required to pay corporate-level federal income tax on income and gains distributed to stockholders, provided that it distributes at least 90.0% of "investment company taxable income," as defined in the Code, each year and meets specified source-of-income and asset diversification requirements. Dividends paid up to one year after the current tax year can be carried back to the prior tax year for determining the dividends paid in such tax year. For the three and nine months ended September 30, 2018, the Company distributed sufficient dividends to maintain its qualification to be taxed as a RIC.

On December 31, 2018, the Company announced its intention to change its tax election from taxation as a RIC to taxation as a REIT. 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, 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, 2019 and 2018, 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 2015-2019 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.

The financial statements include investments at fair value of $69.8 million and $79.5 million at September 30, 2019 and December 31, 2018, respectively, and obligations under participation agreements at fair value of $2.0 million at September 30, 2019. There were no funded obligations under participation agreements at December 31, 2018. 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 February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the balance sheet. For lessors, however, the accounting remains largely unchanged from the model under ASC Topic 840 — *Leases* ("ASC Topic 840"), with the distinction between operating and financing leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard. The new standard also replaces the sale-leaseback guidance under ASC Topic 840 with a new model applicable to both lessees and lessors. Additionally, the new standard requires extensive quantitative and qualitative disclosures. ASU 2016-02 was effective for U.S. GAAP public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted for all entities. The new standard must be adopted using a modified retrospective transition of the new guidance and provides for certain practical expedients. Transition requires application of the new model at the beginning of the earliest comparative period presented. The Company adopted ASU 2016-02 on January 1, 2019. The adoption of ASU 2016-02 did not have any impact on the Company's financial statements as the Company does not have any lease arrangements.

In August 2018, the FASB issued 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 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. Early adoption is permitted upon issuance of ASU 2018-13. The Company does not expect the adoption of ASU 2018-13 to have a material impact on its financial statements and disclosures.

In August 2018, the SEC adopted a final rule that eliminates or amends disclosure requirements that have become duplicative, overlapping, or outdated in light of other SEC disclosure requirements, U.S. GAAP, or changes in the information environment (the "Final Rule"). The Final Rule is intended to simplify and update the disclosure of information to investors and reduce compliance burdens for companies, without significantly altering the total mix of information available to investors. Among other items, the Final Rule requires registrants to include in their interim financial statements a reconciliation of changes in net assets or stockholders' equity in the notes or as a separate statement. The Final Rule was effective for all filings made on or after November 5, 2018; however, the SEC would not object if a filer's first presentation of the changes in net assets or stockholders' equity and the balance sheet presentation of distributable earnings were included in its Form 10-Q for the quarter that begins after the effective date of the Final Rule. The Company adopted the Final Rule in the first quarter of fiscal year 2019. The adoption of the Final Rule did not have a material impact on the Company's 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, 2019 and December 31, 2018, respectively (with corresponding percentage of total portfolio investments):

	September 30, 2019			
	Investments at Amortized Cost	Percentage of Amortized Cost	Investments at Fair Value	Percentage of Fair Value
Loans	$ 26,729,034	38.7%	$ 27,253,080	39.0%
Loans through participation interest (Note 4)	42,342,109	61.3%	42,561,855	61.0%
Total	$ 69,071,143	100.0%	$ 69,814,935	100.0%

	December 31, 2018			
	Investments at Amortized Cost	Percentage of Amortized Cost	Investments at Fair Value	Percentage of Fair Value
Loans	$ 23,031,840	29.3%	$ 23,571,020	29.7%
Loans through participation interest (Note 4)	55,496,493	70.7%	55,915,765	70.3%
Total	$ 78,528,333	100.0%	$ 79,486,785	100.0%

Obligations under Participation Agreements

The Company has elected the fair value option relating to accounting for debt obligations at their fair value for its obligations under participation agreements which arose due to partial loan sales which did not meet the criteria for sale treatment. The Company employs the same yield approach valuation methodology used for the real estate-related loan investments on the Company's obligations under participation agreements. As of September 30, 2019, obligations under participation agreements at fair value was $2.0 million and the weighted average interest rate on the obligations under participation agreements was 13.0%. As of December 31, 2018, the Company did not have any funded obligations under participation agreements. For the nine months ended September 30, 2019, the Company sold $2.0 million of investments to affiliates through participation agreements and did not make any repayments on obligations under participation agreements. For the nine months ended September 30, 2018, the Company did not sell any investments to affiliates through participation agreements and did not make any repayments on obligations under participation agreements.

Valuation Methodology

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, 2019 and December 31, 2018, according to the fair value hierarchy:

	September 30, 2019			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Investments:				
Loans	$ —	$ —	$ 27,253,080	$ 27,253,080
Loans through participation interest	—	—	42,561,855	42,561,855
Total Investments	$ —	$ —	$ 69,814,935	$ 69,814,935
Obligations under participation agreements	$ —	$ —	$ 1,983,229	$ 1,983,229

	December 31, 2018			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Investments:				
Loans	$ —	$ —	$ 23,571,020	$ 23,571,020
Loans through participation interest	—	—	55,915,765	55,915,765
Total Investments	$ —	$ —	$ 79,486,785	$ 79,486,785
Obligations under participation agreements	$ —	$ —	$ —	$ —

Changes in Level 3 investments for the nine months ended September 30, 2019 and 2018 were as follows:

	Nine Months Ended September 30, 2019			
	Loans	Loans Through Participation	Total Investments	Obligations under Participation Agreements
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 appreciation 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	$ 27,253,080	$ 42,561,855	$ 69,814,935	$ 1,983,229
Net change in unrealized appreciation or depreciation for the period relating to those Level 3 assets that were still held by the Company at the end of the period:				
Net change in unrealized appreciation on investments and obligations under participation agreements	$ 3,272	$ (156,425)	$ (153,153)	$ 7,384

	Nine Months Ended September 30, 2018			
	Loans	Loans Through Participation	Total Investments	Obligations under Participation Agreements
Balance as of January 1, 2018	$ 27,295,302	$ 27,314,411	$ 54,609,713	$ 1,807,503
Purchases of investments	5,104,200	18,128,000	23,232,200	—
Repayments of investments	(3,438,847)	(2,740,752)	(6,179,599)	—
Net change in unrealized appreciation on investments	64,261	164,669	228,930	—
PIK interest income, net	—	141,682	141,682	—
Amortization and accretion of investment-related fees, net	142,795	238,183	380,978	1,898
Amortization of discount and premium on investments, net	6,428	—	6,428	—
Net change in unrealized appreciation on obligations under participation agreements	—	—	—	(300)
Balance as of September 30, 2018	$ 29,174,139	$ 43,246,193	$ 72,420,332	$ 1,809,101
Net change in unrealized appreciation or depreciation for the period relating to those Level 3 assets that were still held by the Company at the end of the period:				
Net change in unrealized appreciation on investments and obligations under participation agreements	$ 64,261	$ 164,669	$ 228,930	$ (300)

Transfers between levels, if any, are recognized at the beginning of the period in which transfers occur. For the three and nine months ended September 30, 2019 and 2018, there were no transfers.

Significant Unobservable Inputs

The following table summarizes the significant unobservable inputs used by the Company to value the Level 3 investments as of September 30, 2019 and December 31, 2018. 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, 2019

Asset Category	Fair Value	Primary Valuation Technique	Unobservable Input	Range Minimum	Range Maximum	Weighted Average
Assets:						
Loans	$ 27,253,080	Discounted cash flow	Discount rate	10.15%	13.22%	12.22%
Loans through participation interest	42,561,855	Discounted cash flow	Discount rate	10.69%	14.95%	12.08%
Total Level 3 Assets	**$ 69,814,935**					
Liabilities:						
Obligations under participation agreements	$ 1,983,229	Discounted cash flow	Discount rate	13.00%	13.00%	13.00%

December 31, 2018

Asset Category	Fair Value	Primary Valuation Technique	Unobservable Input	Range Minimum	Range Maximum	Weighted Average
Assets:						
Loans	$ 23,571,020	Discounted cash flow	Discount rate	10.15%	13.00%	11.94%
Loans through participation interest	55,915,765	Discounted cash flow	Discount rate	10.77%	14.00%	12.00%
Total Level 3 Assets	**$ 79,486,785**					

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, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Amounts Included in the Statements of Operations				
Base management fees	$ 390,008	$ 427,829	$ 1,216,998	$ 1,291,879
Incentive fees on capital gains (1)	(18,446)	(8,778)	(44,408)	42,561
Operating expense reimbursement to Adviser (2)	223,458	266,395	690,544	673,214
Servicing fees (3)	201,911	242,137	643,886	715,552
Commissions and dealer manager fees incurred				
Commissions and dealer manager fees (4)	$ —	$ —	$ —	$ 499,934

(1) For the three and nine months ended September 30, 2019 and three months ended September 30, 2018, the Company reversed $18,446, $44,408 and $8,778 of incentive fees, respectively, which were previously accrued. Incentive fees on capital gains are based on 20% of net unrealized capital gains. No incentive fees on capital gains are actually payable by the Company with respect to unrealized gains unless and until those gains are realized.

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

(3) As discussed in "*Dealer Manager Agreement*" 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 September 30,

2019 and December 31, 2018, unpaid servicing fees were both $0.1 million and were included in accrued expenses on the statements of assets and liabilities.

(4) Of the amount incurred for the nine months ended September 30, 2018, $0.4 million was re-allowed to selected broker-dealers. Amount was recorded as reductions to capital in excess of par on the statements of assets and liabilities. There were no commissions and dealer manager fees incurred for the three and nine months ended September 30, 2019 and the three months ended September 30, 2018 because the Offering ended on April 20, 2018.

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, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Due to Adviser:		
Base management fee and expense reimbursement payable	$ 401,852	$ 404,622
Incentive fees on capital gains (1)	143,997	188,405
	545,849	593,027
Due from Adviser:		
Reimbursable costs - other operating expense	4,012	—
Due to Adviser, net	$ 541,837	$ 593,027

(1) Incentive fees on capital gains are based on 20% of accumulated net unrealized capital gains of $0.7 million and $1.0 million as of September 30, 2019 and December 31, 2018, 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

- 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 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.

Organization and Offering Expenses

As of the end of the Offering on April 20, 2018, Terra Income Advisors incurred cumulative organization costs of $0.2 million and cumulative offering costs of $3.4 million on behalf of the Company. Offering expenses consist of costs paid by Terra Income Advisors that are directly related to the registration and offering of the Company's shares, including registration fees, legal fees and printing costs. Organization costs include those expenses paid by Terra Income Advisors for the legal organization, drafting and filing of the Company's charter and other governance documents and include, but are not limited to, legal, accounting and filing fees.

Upon meeting the Minimum Offering Requirement, Terra Income Advisors is responsible for the payment of the Company's cumulative organization and offering expenses to the extent such expenses exceed 1.5% of the gross proceeds from the Offering without recourse against or reimbursement by the Company. As a result, Terra Income Advisors paid for all organization and offering expenses in excess of 1.5% of the gross proceeds from the Offering. Based on the gross proceeds from the Offering, the Company was responsible for $1.6 million of the cumulative offering and organization costs incurred by Terra Income Advisors, all of which were reimbursed to Terra Income Advisors. For the nine months ended September 30, 2018, the Company made reimbursement payments of $0.2 million to Terra Income Advisors for offering costs incurred on behalf of the Company. For the three months ended September 30, 2018 and the three and nine months ended September 30, 2019, the Company did not make any such reimbursement payment because the Offering ended on April 20, 2018.

Dealer Manager Agreement

The Company entered into a dealer manager agreement with Terra Capital Markets, an affiliate of Terra Income Advisors, to serve as the dealer manager of the Offering. Under the terms of the dealer manager agreement, Terra Capital Markets received selling commissions of 3.0% of gross proceeds from the Offering, dealer manager fees of up to 1.5% of the gross proceeds from the Offering, and broker-dealer fees of up to 1.0% of gross proceeds from the Offering for reimbursement of marketing and expenses, in connection with the sale of shares of the Company's common stock in the Offering, all or a portion of which may be re-allowed to selected broker-dealers.

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 net asset value 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 Boards 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.

Expense Support Agreement

On June 30, 2015, the Company entered into an expense support agreement (the "Expense Support Agreement") with Terra Income Advisors, whereby Terra Income Advisors may pay up to 100% of the Company's costs and expenses, including all fees payable to Terra Income Advisors pursuant to the Investment Advisory Agreement from inception until the Company and Terra Income Advisors mutually agree otherwise. This payment (the "Expense Support Payment") for any month shall be paid by Terra Income Advisors to the Company in any combination of cash or other immediately available funds, and/or offsets against amounts due from the Company to Terra Income Advisors. The purpose of the Expense Support Payment is to reduce offering and operating expenses until the Company has achieved economies of scale sufficient to ensure that the Company is able to bear a reasonable level of expense in relation to investment income. Operating expenses subject to the Expense Support Agreement include expenses as defined by U.S. GAAP, including, without limitation, fees payable to Terra Income Advisors and interest on indebtedness for such period, if any.

Pursuant to the terms of the Expense Support Agreement, the Company has agreed to reimburse Terra Income Advisors for each Expense Support Payment within three years after such Expense Support Payment is made by Terra Income Advisors. Reimbursement shall be made as promptly as possible on a date mutually agreed to by the Company and Terra Income Advisors provided that (i) the operating expense ratio, defined as operating expenses excluding organization and offering expenses, base management fee, incentive fee and any interest expense attributable to indebtedness by the Company ("Net Operating Expenses") expressed as a percentage of the Company's net assets on the relevant measurement date, as of such Reimbursement Date is equal to or less than the operating expense ratio as of the Expense Support Payment date attributable to such specified Expense Support Payment, (ii) the annualized distribution rate (exclusive of any U.S. GAAP return of capital) as of such Reimbursement Date is equal to or greater than the annualized distribution rate as of the Expense Support Payment date attributable to such specified Expense Support Payment; (iii) such Reimbursement Date is not later than three years following such specified Expense Support Payment date; and (iv) the Expense Support Payment does not cause the Company's Net Operating Expenses to exceed 1.5% of the Company's net assets attributable to common shares, after taking such reimbursement into account. Terra Income Advisors is entitled to reimbursement of all previously unreimbursed Expense Support Payments in the event of termination of the Expense Support Agreement.

The following table provides information regarding the expenses that the parties to the agreement determined would be incurred by Terra Income Advisors pursuant to the Expense Support Agreement:

Three months ended	Amount of Expense Reimbursement Payment	Annualized Operating Expense Ratio as of the Date of Expense Reimbursement Payment	Annualized Rate of Distributions Per Share (1)	Reimbursement Eligibility Expiration (2)
June 30, 2015	$ 515,813	24.53%	8.00%	June 30, 2018
September 30, 2015	1,174,487	66.63%	8.00%	September 30, 2018
December 31, 2015	576,755	15.60%	8.00%	November 30, 2018

(1) The annualized rate of distributions per share is expressed as a percentage equal to the projected annualized distribution amount as of the date each payment was made (which is calculated by annualizing the regular daily cash distribution per share as of the date each payment was made without compounding), divided by the Company's public offering price per share as of the date each payment was made.

(2) As of September 30, 2019, the Company has not reimbursed Terra Income Advisors for any Expense Support Payments because the conditions for reimbursement have not been met. Additionally, as of September 30, 2019, all of the expense reimbursement payments are no longer eligible for reimbursement because the three-year period has elapsed.

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, 2019 and December 31, 2018. In accordance with the terms of each PA, each Participant's rights and obligations, including interest income and other income (*e.g.*, exit fee and prepayment income) and related fees/expenses are based upon its respective pro-rata participation interest in such investments, as specified in the respective PA. The Company's share of the investment is repayable only from the proceeds received from the related borrower/ issuer of the investment, and therefore the Company is also subject to the credit risk (*i.e.*, risk of default by the underlying borrower/ issuer).

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

	Participating Interests at September 30, 2019	September 30, 2019		December 31, 2018	
		Principal Balance	Fair Value	Principal Balance	Fair Value
370 Lex Part Deux, LLC [1]	35.0%	$ 16,473,320	$ 16,473,320	$ 15,225,000	$ 15,225,000
Orange Grove Property Investors, LLC [1]	80.0%	7,480,000	7,547,002	6,680,000	6,733,003
Stonewall Station Mezz LLC [1][3]	44.0%	4,283,450	4,315,218	3,761,540	3,792,025
NB Private Capital, LLC [1]	16.7%	4,250,000	4,257,085	4,250,000	4,284,030
RS JZ Driggs, LLC [1]	50.0%	4,100,000	4,138,427	2,020,675	2,037,807
City Gardens 333 LLC [1]	14.0%	3,809,858	3,811,004	2,914,245	2,914,245
TSG-Parcel 1, LLC [1]	11.1%	2,000,000	2,019,799	2,000,000	2,019,799
OHM Atlanta Owner, LLC [1][2]	—	—	—	11,224,490	11,335,609
140 Schermerhorn Street Mezz LLC [1][2]	—	—	—	7,500,000	7,574,247
Total		$ 42,396,628	$ 42,561,855	$ 55,575,950	$ 55,915,765

(1) Participation held in the name of Terra Property Trust, Inc., an affiliated fund managed by a subsidiary of Terra Capital Partners.
(2) These participations were repaid during the nine months ended September 30, 2019.
(3) The principal amount includes PIK interest of $103,450 and $36,940 as of September 30, 2019 and December 31, 2018, respectively.

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, 2019 and December 31, 2018:

			September 30, 2019		
			Transfers treated as obligations under participation agreements		
	Principal	Fair Value	% Transferred	Principal	Fair Value
LD Milpitas Mezz, LP [1]	$ 7,870,367	$ 7,932,914	25.0%	$ 1,967,592	$ 1,983,229

			December 31, 2018		
			Transfers treated as obligations under participation agreements		
	Principal	Fair Value	% Transferred	Principal	Fair Value
LD Milpitas Mezz, LP [1]	—	—	25.0%	—	—

(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, 2019, this loan had an unfunded commitment of $9.1 million.

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 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. The Company's portion of the investment was 47.19%, or $4.2 million and was reflected as investments at fair value on the statements of assets and liabilities. The Company's rights and obligations under the loan pertained to its portion of the investment only.

Note 5. Commitments and Contingencies

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, 2019 and December 31, 2018, the Company had $10.3 million and $18.2 million, respectively, of unfunded commitments. The Company expects to maintain sufficient cash on hand to fund such unfunded commitments, including matching these commitments with principal repayments on outstanding loans.

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

On December 11, 2018, the Company's Board voted to approve a change its tax election from taxation as a RIC to taxation as a REIT under Subchapter M of the Code. 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. Prior to October 1, 2018, the Company elected to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, was not subject to federal income tax on the portion of taxable income distributed to stockholders.

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.

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

	Nine Months Ended September 30,	
	2019	**2018**
Net increase in net assets resulting from operations	$ 2,996,375	$ 2,619,828
Net change in unrealized appreciation on investments	214,660	(228,930)
Net change in unrealized appreciation on obligations under participation agreements	7,384	(300)
Amortization of deferred offering costs	—	114,132
Incentive fees on capital gains	(44,408)	42,561
Other temporary differences [(1)]	(249,424)	72,530
Total taxable income	$ 2,924,587	$ 2,619,821

(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:

	Nine Months Ended September 30,			
	2019		2018	
Source of Distribution	**Distribution Amount** [(1)]	**%**	**Distribution Amount**	**%**
Return of capital	$ 2,856,687	49.4%	$ 3,204,785	55.0%
Net investment income	2,924,587	50.6%	2,619,821	45.0%
Distributions on a tax basis:	$ 5,781,274	100.0%	$ 5,824,606	100.0%

(1) The Distribution Amount and Percentage reflected for the nine months ended September 30, 2019 and 2018 are estimated figures. The actual source of distributions will be calculated in connection with the filing of the Company's tax return.

As of September 30, 2019 and December 31, 2018, the Company did not have differences between book 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, 2019 and 2018, the Company recorded $18,125 and $27,125 of directors' fees expense, respectively. For the nine months ended September 30, 2019 and 2018, the Company recorded $70,875 and $83,250 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.

Note 8. Capital

The Company's Offering ended on April 20, 2018. 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 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, 2019, the Company had 8,366,302 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 net asset value per share of its common stock immediately prior to the applicable distribution payment date. The terms of the previous distribution reinvestment plan otherwise remain unchanged. In accordance with the terms of the DRIP, the amended and restated distribution reinvestment plan 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.

The following table provides information with respect to repurchases of the Company's common stock since the program's inception:

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

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Maximum Number of Shares Allowed to be Repurchased
Transition Period Ended December 31, 2018:			
Three Months Ended December 31, 2018	61,161	$ 9.56	163,674

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Maximum Number of Shares Allowed to be Repurchased
Year Ended September 30, 2018:			
Three Months Ended December 31, 2017	65,456	$ 10.00	111,881
Three Months Ended March 31, 2018	34,980	$ 9.86	163,674
Three Months Ended June 30, 2018	98,903	$ 9.75	163,674
Three Months Ended September 30, 2018 (1)	167,421	$ 9.67	163,674

(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, 2019 and December 31, 2018, there were no dilutive shares.

The following information sets forth the computation of the weighted average net increase in net assets per share from operations for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Basic	**2019**	**2018**	**2019**	**2018**
Net increase in net assets resulting from operations	$ 1,062,133	$ 991,795	$ 2,996,375	$ 2,619,828
Weighted average common shares outstanding	8,643,824	9,096,260	8,857,663	8,928,728
Net increase in net assets per share resulting from operations	$ 0.12	$ 0.11	$ 0.34	$ 0.29

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, 2019 and 2018:

Record Date	Payment Date	Per Share Per Day	Distributions Paid in Cash	Distributions Paid through the DRIP	Total Distributions Paid/Accrued
Nine Months Ended September 30, 2019					
January 20, 2019	January 31, 2019	$ 0.002389	$ 463,408	$ 201,500	$ 664,908
February 20, 2019	February 28, 2019	0.002389	423,071	179,129	602,200
March 20, 2019	March 29, 2019	0.002389	472,614	195,507	668,121
April 20, 2019	April 30, 2019	0.002389	449,880	189,779	639,659
May 20, 2019	May 31, 2019	0.002389	467,067	196,200	663,267
June 20, 2019	June 28, 2019	0.002389	462,358	180,237	642,595
July 26, 2019	July 29, 2019	0.002389	454,782	184,214	638,996
August 26, 2019	August 27, 2019	0.002389	456,261	184,190	640,451
September 25, 2019	September 26, 2019	0.002389	449,128	171,949	621,077
			$ 4,098,569	$ 1,682,705	$ 5,781,274

Record Date	Payment Date	Per Share Per Day	Distributions Paid in Cash	Distributions Paid through the DRIP	Total Distributions Paid/Accrued
Nine Months Ended September 30, 2018					
January 20, 2018	January 31, 2018	$ 0.002389	$ 409,747	$ 204,116	$ 613,863
February 20, 2018	February 27, 2018	0.002389	377,936	189,792	567,728
March 20, 2018	March 30, 2018	0.002389	450,154	210,657	660,811
April 20, 2018	April 27, 2018	0.002389	443,998	203,856	647,854
May 20, 2018	May 31, 2018	0.002389	464,061	213,512	677,573
June 20, 2018	June 29, 2018	0.002389	514,611	142,098	656,709
July 20, 2018	July 30, 2018	0.002389	525,722	147,067	672,789
August 20, 2018	August 31, 2018	0.002389	460,580	213,263	673,843
September 20, 2018	September 28, 2018	0.002389	454,247	199,189	653,436
			$ 4,101,056	$ 1,723,550	$ 5,824,606

Note 11. Financial Highlights

The following is a schedule of financial highlights for the nine months ended September 30, 2019 and 2018:

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Per share data:		
Net asset value at beginning of period	$ 9.47	$ 9.86
Results of operations [1]:		
Net investment income	0.36	0.27
Net change in unrealized appreciation on investments	(0.02)	0.02
Net change in unrealized appreciation on obligations under participation agreements [2]	—	—
Net increase in net assets resulting from operations	0.34	0.29
Stockholder distributions [3]:		
Distributions from return of capital	(0.32)	(0.36)
Distributions from net investment income	(0.33)	(0.29)
Net decrease in net assets resulting from stockholder distributions	(0.65)	(0.65)
Capital share transactions:		
Other [4]	(0.01)	0.06
Net increase in net assets resulting from capital share transactions	(0.01)	0.06
Net asset value, end of period	$ 9.15	$ 9.56
Shares outstanding at end of period	8,366,302	8,972,358
Total return [5]	3.54%	3.29%
Ratio/Supplemental data:		
Net assets, end of period	$ 76,582,005	$ 87,841,135
Ratio of net investment income to average net assets [6]	5.28%	3.75%
Ratio of operating expenses to average net assets [6][7]	6.20%	7.07%
Portfolio turnover	18.91%	9.64%

(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 both the nine months ended September 30, 2019 and 2018.
(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 in the Offering as well as pursuant to the DRIP may cause an incremental increase in net asset value per share due to the sale of shares at the then prevailing public offering price and the receipt of net proceeds per share by the Company in excess of the net asset value per share on each subscription closing date. In addition, the timing of the Company's sales of shares during the year and the repurchases of shares also impacted the net asset value per share.
(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, 2019 and the incentive fees on capital gains for the nine months ended September 30, 2018, the ratio of operating expenses to average net assets is 6.26% and 7.02%, 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 other events that would require adjustment to or disclosure in the Company's financial statements.

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;
- 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 Secured Income Fund, LLC and, together with 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, the "Terra Income Funds"; Terra Property Trust, Inc., a subsidiary of Terra Secured Income 5, LLC; Terra Property Trust 2, Inc., a subsidiary of Terra Secured Income Fund 7, LLC; 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.

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. See "— Related Party Transactions — Compensation of Terra Income Advisors and Terra Capital Markets" below.

Also, we agreed to pay selling commissions, broker-dealer fees, a dealer manager fee and servicing fees, and to reimburse Terra Income Advisors for our organization and offering expenses up to a maximum amount equal to 1.5% of the gross proceeds from our continuous public offering of our common stock (the "Offering"). Terra Income Advisors borne all organization and offering expenses in excess of this amount.

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.

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 "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.

Our management is not aware of any material trends or uncertainties, favorable or unfavorable, which may reasonably be anticipated to have a material impact on the capital resources and the revenue or income to be derived from our assets.

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 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:

- corporate, organizational and offering expenses relating to offerings of our common stock, subject to limitations included in the Investment Advisory Agreement;
- 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;
- 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 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, 2019					
	Gross Investments		Transfers Treated as Obligations Under Participation Agreements		Net Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair value
370 Lex Part Deux, LLC	$16,415,712	$16,473,320	$ —	$ —	$16,415,712	$16,473,320
Residential X Mezz Concord LLC and Center Associates Mezz LLC	8,905,829	8,972,805	—	—	8,905,829	8,972,805
Orange Grove Property Investors, LLC	7,465,817	7,547,002	—	—	7,465,817	7,547,002
YIP Santa Maria LLC	4,540,634	4,545,312	—	—	4,540,634	4,545,312
Stonewall Station Mezz LLC	4,278,260	4,315,218	—	—	4,278,260	4,315,218
NB Private Capital, LLC	4,240,861	4,257,085	—	—	4,240,861	4,257,085
RS JZ Driggs, LLC	4,116,939	4,138,427	—	—	4,116,939	4,138,427
City Gardens 333 LLC	3,804,520	3,811,004	—	—	3,804,520	3,811,004
Dwight Mezz II LLC	3,000,000	3,100,869	—	—	3,000,000	3,100,869
LD Milpitas Mezz, LP	7,827,570	7,932,914	1,967,592	1,983,229	5,859,978	5,949,685
Hertz Clinton One Mezzanine, LLC	2,455,001	2,701,180	—	—	2,455,001	2,701,180
TSG-Parcel 1, LLC	2,020,000	2,019,799	—	—	2,020,000	2,019,799
	$69,071,143	$69,814,935	$ 1,967,592	$ 1,983,229	$67,103,551	$67,831,706

	December 31, 2018					
	Gross Investments		Transfers Treated as Obligations Under Participation Agreements		Net Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair value
370 Lex Part Deux, LLC	$15,148,875	$15,225,000	$ —	$ —	$15,148,875	$15,225,000
OHM Atlanta Owner, LLC	11,336,735	11,335,609	—	—	11,336,735	11,335,609
Residential X Mezz Concord LLC and Center Associates Mezz LLC	8,841,641	8,956,203	—	—	8,841,641	8,956,203
140 Schermerhorn Street Mezz LLC	7,530,018	7,574,247	—	—	7,530,018	7,574,247
Orange Grove Property Investors, LLC	6,625,110	6,733,003	—	—	6,625,110	6,733,003
YIP Santa Maria LLC	4,518,478	4,544,512	—	—	4,518,478	4,544,512
221 W. 17th Street Owner, LLC	4,223,149	4,241,552	—	—	4,223,149	4,241,552
NB Private Capital, LLC	4,212,203	4,284,030	—	—	4,212,203	4,284,030
Stonewall Station Mezz LLC	3,734,904	3,792,025	—	—	3,734,904	3,792,025
Dwight Mezz II LLC	3,000,000	3,106,630	—	—	3,000,000	3,106,630
City Gardens 333 LLC	2,888,629	2,914,245	—	—	2,888,629	2,914,245
Hertz Clinton One Mezzanine, LLC	2,448,572	2,722,123	—	—	2,448,572	2,722,123
TSG-Parcel 1, LLC	2,020,000	2,019,799	—	—	2,020,000	2,019,799
RS JZ Driggs, LLC	2,000,019	2,037,807	—	—	2,000,019	2,037,807
LD Milpitas Mezz, LP	—	—	—	—	—	—
	$78,528,333	$79,486,785	$ —	$ —	$78,528,333	$79,486,785

	Three Months Ended September 30,			
	2019		2018	
	Weighted Average Principal Amount	Weighted Average Coupon Rate	Weighted Average Principal Amount	Weighted Average Coupon Rate
Gross investments	$ 68,097,232	12.1%	$ 72,686,130	12.6%
Obligations under participation agreements	(1,487,989)	13.0%	(1,800,000)	13.0%
Net investments (1)	$ 66,609,243	12.1%	$ 70,886,130	12.6%

	Nine Months Ended September 30,			
	2019		2018	
	Weighted Average Principal Amount	Weighted Average Coupon Rate	Weighted Average Principal Amount	Weighted Average Coupon Rate
Gross investments	$ 66,210,876	12.0%	$ 64,743,002	12.6%
Obligations under participation agreements	(643,918)	13.0%	(1,800,000)	13.0%
Net investments (1)	$ 65,566,958	12.0%	$ 62,943,002	12.6%

(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 months ended September 30, 2019 and 2018, we invested $6.0 million and $7.9 million in add-on loans, respectively, and had $4.2 million and $6.2 million of repayments, respectively, resulting in net investments of $1.8 million and $1.7 million, respectively.

For the nine months ended September 30, 2019 and 2018, we invested $13.2 million and $23.2 million in add-on loans, respectively, and had $23.1 million and $0.1 million of repayments, respectively, resulting in net repayments of $9.9 million and net investments of $17.1 million, respectively.

Our portfolio composition, based on fair value at September 30, 2019 and December 31, 2018, was as follows:

	September 30, 2019			December 31, 2018		
	Investments at Fair Value	Percentage of Total Portfolio	Weighted Average Coupon Rate (1)	Investments at Fair Value	Percentage of Total Portfolio	Weighted Average Coupon Rate (1)
Loans	$ 27,253,080	39.0%	12.4%	$ 23,571,020	29.7%	12.2%
Loans through participation interest	42,561,855	61.0%	11.9%	55,915,765	70.3%	12.0%
Total	$ 69,814,935	100.0%	12.1%	$ 79,486,785	100.0%	12.1%

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

The following table shows the portfolio composition by property type grouping based on fair value at September 30, 2019 and December 31, 2018:

	September 30, 2019		December 31, 2018	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Office	$ 19,174,500	27.5%	$ 17,947,123	22.6%
Hotel	16,793,444	24.1%	15,910,784	20.0%
Multifamily	13,111,232	18.8%	10,994,010	13.8%
Student housing	11,168,958	15.9%	10,304,905	13.0%
Condominium	7,547,002	10.8%	10,974,555	13.8%
Land	2,019,799	2.9%	13,355,408	16.8%
Total	$ 69,814,935	100.0%	$ 79,486,785	100.0%

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, 2019, obligations under participation agreements at fair value was $2.0 million and the weighted average interest rate on the obligations under participation agreements was 13.0%. As of December 31, 2018, we did not have any funded obligations under participation agreements. For the nine months ended September 30, 2019, we sold $2.0 million of investments to affiliates through participation agreements and did not make any repayments on obligations under participation agreements. For the nine months ended September 30, 2018, we did not sell any investments to affiliates through participation agreements and did not make any repayments on obligations under participation agreements.

Results of Operations

We were formed on May 15, 2013 and commenced operations on June 24, 2015. Our management is not aware of any material trends or uncertainties, favorable or unfavorable, other than national economic conditions affecting our target portfolio, which may be reasonably anticipated to have a material impact on the capital resources and the revenue or income to be derived from the operations of our net assets.

Operating results for the three and nine months ended September 30, 2019 and 2018 were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Total investment income	$ 2,322,049	$ 2,592,764	$ (270,715)	$ 6,976,875	$ 6,927,209	$ 49,666
Total operating expenses	1,167,685	1,564,173	(396,488)	3,758,456	4,536,611	(778,155)
Net investment income	1,154,364	1,028,591	125,773	3,218,419	2,390,598	827,821
Net change in unrealized appreciation on investments	(88,082)	(37,536)	(50,546)	(214,660)	228,930	(443,590)
Net change in unrealized appreciation on obligations under participation agreements	(4,149)	740	(4,889)	(7,384)	300	(7,684)
Net increase in net assets resulting from operations	$ 1,062,133	$ 991,795	$ 70,338	$ 2,996,375	$ 2,619,828	$ 376,547

Investment Income

The composition of our investment income for the three and nine months ended September 30, 2019 and 2018 were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Interest income	$ 2,295,588	$ 2,578,296	$ (282,708)	$ 6,889,915	$ 6,861,836	$ 28,079
Prepayment fee income	—	—	—	32,721	—	32,721
Other fee income	26,461	14,468	11,993	54,239	65,373	(11,134)
Total investment income	$ 2,322,049	$ 2,592,764	$ (270,715)	$ 6,976,875	$ 6,927,209	$ 49,666

Interest Income

For the three months ended September 30, 2019 as compared to the same period in 2018, interest income decreased by $0.3 million, primarily due to a decrease in the weighted average coupon rate on our investments and a lower weighted average principal balance. For the three months ended September 30, 2019, the weighted average coupon rate of our investment portfolio decreased to 12.1% from 12.6% for the same period in 2018 while the weighted average principal balance of our investment portfolio decreased to $68.1 million from an average of $72.7 million for the same period in 2018. The decrease in weighted average coupon rate was due to new investments having lower coupon rates than those of the investments that were repaid and the decrease in weighted average principal balance was due to higher volume of repayments of investments than new investments made.

For the nine months ended September 30, 2019 as compared to the same period in 2018, interest income increased by $0.03 million, primarily due to an increase in extension and disposition fees of $0.09 million and an increase in interest income on cash of $0.07 million, partially offset by a decrease in contractual interest income of $0.13 million. The decrease in contractual interest income was primarily due to a decrease in the weighted average coupon rate, partially offset by higher weighted average principal balance on our investments. The increase in extension and disposition fees was due to higher volume of investments extended and repaid and the increase in interest income on cash was due to higher cash balance in the current period as compared to the same period in 2018. For the nine months ended September 30, 2019, the weighted average principal balance of our investment portfolio increased to an average of $66.2 million from an average of $64.7 million for the same period in 2018, and the weighted average coupon rate of our investment portfolio decreased to 12.0% from 12.6% for the same period in 2018. The increase in weighted average principal balance was due to higher volume of new investments made than repayments of investments. The decrease in weighted average coupon rate was due to investments having lower coupon rates than those of the investments that were repaid.

Prepayment Fee Income

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

For the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2018, there was no prepayment fee income received. For the nine months ended September 30, 2019, we received a prepayment fee income of $32,721 on the early repayment of a loan.

Operating Expenses

The composition of our operating expenses for the three and nine months ended September 30, 2019 and 2018 were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Base management fees	$ 390,008	$ 427,829	$ (37,821)	$ 1,216,998	$ 1,291,879	$ (74,881)
Incentive fees on capital gains	(18,446)	(8,778)	(9,668)	(44,408)	42,561	(86,969)
Operating expense reimbursement to Adviser	223,458	266,395	(42,937)	690,544	673,214	17,330
Servicing fees	201,911	242,137	(40,226)	643,886	715,552	(71,666)
Professional fees	233,388	482,564	(249,176)	843,782	1,152,272	(308,490)
Interest expense from obligations under participation agreements	55,184	60,435	(5,251)	71,733	179,348	(107,615)
Marketing expenses	—	41	(41)	—	91,570	(91,570)
Amortization of deferred offering costs	—	—	—	—	114,132	(114,132)
Directors' fees	18,125	27,125	(9,000)	70,875	83,250	(12,375)
Insurance expense	53,584	52,977	607	160,254	159,302	952
General and administrative expenses	10,473	13,448	(2,975)	104,792	33,531	71,261
Total operating expenses	$ 1,167,685	$ 1,564,173	$ (396,488)	$ 3,758,456	$ 4,536,611	$ (778,155)

For the three and nine months September 30, 2019 as compared to the same periods in 2018, total operating expenses decreased by $0.4 million and $0.8 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, 2019 as compared to the same periods in 2018, base management fees decreased by $0.04 million and $0.07 million, respectively, due to a decrease in our gross assets.

Operating Expense Reimbursed 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 months ended September 30, 2019 as compared to the same period in 2018, operating expense reimbursed to adviser decreased by $0.04 million, primarily due to a decrease in our allocation ratio as a result of our Offering having ended in April 2018 while other affiliated funds raised additional capital.

For the nine months ended September 30, 2019 as compared to the same period in 2018, operating expense reimbursed to Adviser increased by $0.02 million.

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.

For the three and nine months ended September 30, 2019 as compared to the same periods in 2018, servicing fees decreased by $0.04 million and $0.07 million, respectively, due to a decrease in our NAV.

Professional fees

For the three and nine months ended September 30, 2019 as compared to the same periods in 2018, professional fees decreased by $0.2 million and $0.3 million, respectively, primarily due to additional legal fees incurred in connection with the filing of our preliminary proxy statement in 2018.

Interest Expense from Obligations under Participation Agreements

For the three and nine months ended September 30, 2019 as compared to the same periods in 2018, interest expense from obligations under participation agreements decreased by $0.01 million and $0.1 million, respectively, primarily due to a decrease in the weighted average principal balance on obligations under participation agreements. For the three and nine months ended September 30, 2019, the weighted average principal balance on obligations under participation agreements decreased to $1.5 million and $0.6 million, respectively, from an average principal balance of $1.8 million for both comparable periods in 2018. The decrease in weighted average principal balance on obligations under participation agreements was due to higher repayment amounts than proceeds from obligations under participation agreements.

Marketing Expenses

For the three and nine months ended September 30, 2019, we did not recognize any marketing expenses, compared to the recognition of less than $0.1 million and $0.1 million of marketing expense for the same periods in 2018, respectively, primarily due to the ending of the Offering on April 20, 2018.

Amortization of Deferred Offering Costs

All deferred offering costs incurred during the offering period were recorded as deferred charge and amortized over twelve months from the date the cost was incurred, with the exception of those costs incurred prior to the commencement of operations on June 24, 2015, which were amortized over a 12-month period from that date forward. Any unamortized offering costs were written off at the end of the Offering.

For the three and nine months ended September 30, 2019 and the three months ended September 30, 2018, we did not record any amortization of deferred offering costs because the Offering ended on April 20, 2018. For the nine months ended September 30, 2018, amortization of deferred offering costs was $0.1 million, primarily related to the write off of the unamortized offering costs in connection with the ending of the Offering on April 20, 2018.

General and Administrative Expenses

For the three months ended September 30, 2019 as compared to the same period in 2018, general and administrative expenses were substantially the same. For the nine months ended September 30, 2019 as compared to the same period in 2018, general and administrative expenses increased by $0.1 million, primarily due to fees incurred in connection with the 2019 annual meeting of stockholders. Due to the Axar Transaction, we did not have an annual meeting of stockholders last year.

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.

For the three and nine months ended September 30, 2019, we recognized a decrease in unrealized appreciation on investments of $0.1 million and $0.2 million, respectively, compared to a decrease in unrealized appreciation on investments of $0.04 million for the three months ended September 30, 2018 and an increase in unrealized appreciation on investments of $0.2 million for the nine months ended September 30, 2018. The decrease in unrealized appreciation on investments for the current periods was due to several loans approaching maturity in the current period, of which three were settled at par. The increase in unrealized appreciation on investments for the nine months ended September 30, 2018 was due to new investments made in 2018 with higher fair values than the corresponding costs.

Net Increase in Net Assets Resulting from Operations

For the three months ended September 30, 2019 and 2018, we recorded a net increase in net assets resulting from operations of $1.1 million and $1.0 million, respectively. Based on the weighted average shares of common stock outstanding, our per share net increase in net assets resulting from operations was $0.12 and $0.11, respectively.

For the nine months ended September 30, 2019 and 2018, we recorded a net increase in net assets resulting from operations of $3.0 million and $2.6 million, respectively. Based on the weighted average shares of common stock outstanding, our per share net increase in net assets resulting from operations was $0.34 and $0.29, 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. We are not aware of any known trends or known demands, commitments, events, or uncertainties that will result in, or that are reasonably likely to result in, our liquidity increasing or decreasing in any material way.

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 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 recourses or any material changes in the mix and relative cost of such recourses.

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, 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 payments for repurchases of common stock under stock repurchase plan of $7.4 million and distributions paid to stockholders of $4.1 million, partially offset by proceeds from obligations under participation agreements of $2.0 million.

Cash Flows for the Nine Months Ended September 30, 2018

Operating Activities — For the nine months ended September 30, 2018, net cash used in operating activities was $16.6 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, 2018 were primarily purchases of investments totaling $23.2 million, partially offset by repayments of investments of $6.2 million.

Financing Activities — For the nine months ended September 30, 2018, net cash provided by financing activities was $1.5 million, primarily related to proceeds from the issuance of common stock of $9.7 million, partially offset by distributions paid to stockholders of $4.1 million, payments for repurchases of common stock under stock repurchase plan of $3.6 million and payments of selling commissions and dealer manager fees of $0.5 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. 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, 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 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 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 investments that will be held in the investment portfolio to fall into Level 3 of the fair value hierarchy.

Valuation of Obligations under Participation Agreements

We have 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*. We employ the yield approach valuation methodology used for the real-estate related loan investments on our obligations under participation agreements.

Federal Income Taxes

We initially elected to be taxed for federal income tax purposes, and qualified annually thereafter, as a RIC under Subchapter M of the Code. As a RIC, we did not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distributed to our stockholders from our earnings and profits as determined for federal income tax purposes.

On December 31, 2018, we announced our intention to change our tax election from taxation as a RIC to taxation as a REIT. 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, we incurred $1.2 million and $1.3 million in base management fee under the Investment Advisory Agreement, respectively. For the three and nine months ended September 30, 2019 and the three months ended September 30, 2018, we reversed the previously accrued incentive fees on capital gains of $18,446, $44,408 and $8,778, respectively, based on net unrealized capital losses of $92,231, $222,044 and $36,796, respectively. For the nine months ended September 30, 2018, we accrued incentive fees on capital gains of $42,561, based on net unrealized capital gains of $229,230. 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, 2019 and 2018, we incurred $0.2 million and $0.3 million in allocated administrative expenses reimbursable to Terra Income Advisors. For the nine months ended September 30, 2019 and 2018, we incurred $0.7 million and $0.7 million in allocated administrative expenses reimbursable to Terra Income Advisors.

We previously retained Terra Capital Markets, LLC ("Terra Capital Markets"), an affiliate of Terra Income Advisors, to serve as the dealer manager of the Offering. Under the terms of the dealer manager agreement, Terra Capital Markets received selling commissions, dealer manager fees and broker-dealer fees of 3.0%, 1.5% and up to 1.0%, respectively, of gross proceeds from the Offering, all or a portion of which may be re-allowed to selected broker-dealers for marketing and expenses.

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 net asset value 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 the three and nine months ended September 30, 2019 and the three months ended September 30, 2018, we did not incur any broker-dealer commissions and fees because the Offering ended on April 20, 2018. For the nine months ended September 30, 2018, we incurred $0.5 million of broker-dealer commissions and fees, and of this amount, $0.4 million were re-allowed to selected broker-dealers. For the three months ended September 30, 2019 and 2018, we recorded servicing fees of $0.2 million and $0.2 million, respectively. For the nine months ended September 30, 2019 and 2018, we recorded servicing fees of $0.6 million and $0.7 million, respectively. As of both September 30, 2019 and December 31, 2018, unpaid servicing fees were $0.1 million and were included in accrued expenses on the statements of assets and liabilities.

Certain of our loans provide for commitments to fund the borrower at a future date. As of September 30, 2019, we had two loans with total funding commitments of $27.0 million, of which we funded $16.7 million. We expect to fund either directly or in combination with an affiliate $10.3 million in the next twelve months.

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.

Terra Income Advisors has funded our offering costs and organization costs. Terra Income Advisors is responsible for the payment of our cumulative organization and offering expenses to the extent such expenses exceed 1.5% of the gross proceeds from the Offering, without recourse against or reimbursement by us. As a result, Terra Income Advisors bears all organization and offering expenses in excess of 1.5% of the gross proceeds from the Offering. Through the end of the Offering on April 20, 2018, Terra Income Advisors funded offering costs and organization costs in the amount of $3.6 million. Based on the gross proceeds from the Offering, we were obligated to reimburse Terra Income Advisors $1.6 million of the cumulative offering costs and organizations incurred, all of which were reimbursed. For the nine months ended September 30, 2018, we made reimbursement payments of $0.2 million to Terra Income Advisors for offering costs incurred on our behalf. For the three and nine months ended September 30, 2019 and the three months ended September 30, 2018, we did not make any such reimbursement payment because the Offering ended on April 20, 2018.

We previously retained Terra Capital Markets to serve as the dealer manager of the Offering. As a dealer manager, Terra Capital Markets was entitled to receive selling commissions, broker-dealer fees and dealer manager fees in connection with the sale of shares of our common stock in the Offering, all or a portion of which may be re-allowed to selected broker-dealers. On September 30, 2017, we adopted the Servicing Plan. For the three and nine months end September 30, 2019 and three months ended September 30, 2018, we did not incur any broker-dealer commissions and fees because the Offering ended on April 20, 2018. For the nine months end September 30, 2018, we incurred $0.5 million of broker-dealer commissions and fees, and of this amount, $0.4 million were re-allowed to selected broker-dealers. For the three months ended September 30, 2019 and 2018, we recorded servicing fees of $0.2 million and $0.2 million, respectively. For the nine months ended September 30, 2019 and 2018, we recorded servicing fees of $0.6 million and $0.7 million, respectively. As of both September 30, 2019 and December 31, 2018, 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, 2019, we had six investments with an aggregate principal balance of $41.9 million that provides for interest income indexed to London Interbank Offered Rate ("LIBOR"), all of which are subject to a LIBOR floor (see "Item 1. Financial Statements — Schedule of Investments"). A decrease of 1% in LIBOR would have an immaterial impact on our annual interest income because the interest rates are protected by a LIBOR floor in the respective loan agreements. An increase of 1% in LIBOR would increase our annual interest income by $0.2 million.

We may hedge against interest rate and currency exchange rate fluctuations by using standard hedging instruments, such as futures, options and forward contracts, subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in benefits of lower interest rates with respect to our portfolio of investments with fixed interest rates. For the three and nine months ended September 30, 2019 and 2018, 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."

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, 2019. 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 transition period ended December 31, 2018 other than the one below.

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

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. In addition, in April 2018, the Federal Reserve System, in conjunction with the Alternative Reference Rates Committee, announced the replacement of LIBOR with a new index, calculated by short-term repurchase agreements collateralized by U.S. Treasury securities, called the Secured Overnight Financing Rate, or the "SOFR." At this time, it is not possible to predict whether SOFR will attain market traction as a LIBOR replacement. Additionally, the future of LIBOR at this time is uncertain. Potential changes, or uncertainty related to such potential changes, may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities, including the value of the LIBOR-indexed, floating-rate debt securities in our portfolio. The potential effect of the phase-out or replacement of LIBOR on our investment income cannot yet be determined.

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

Issuer Purchases of Equity Securities

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

The following table provides information concerning our repurchases of shares of our common stock pursuant to our share repurchase program during the three months ended September 30, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
July 1 to July 31, 2019	—	$ —	—
August 1 to August 31, 2019	—	—	—
September 1 to September 30, 2019 [(1)]	315,872	9.25	223,679
Total	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.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

The following disclosure would have otherwise been filed in a Current Report on Form 8-K under the heading "Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers":

Appointment of Chairman of the Board

On November 12, 2019, Bruce D. Batkin notified the board of directors (the "Board") of Terra Income Fund 6, Inc. (the "Company") of his resignation as a director and Chairman of the Board, effective immediately. Mr. Batkin's resignation did not involve a disagreement with the Company or any matter relating to the Company's operations, policies or practices.

On November 12, 2019, the Board elected Vikram S. Uppal, the Chief Executive Officer of the Company, to fill the vacancy on the Board and appointed Mr. Uppal as Chairman of the Board, effective immediately. Mr. Uppal will serve as a Class II director of the Board and Chairman of the Board until the 2020 annual meeting of stockholders of the Company and until his successor is elected and duly qualified. The election of Mr. Uppal to the Board was not made pursuant to any arrangement or understanding between her and any other person. Biographical information with respect to Mr. Uppal is set forth below:

Vikram S. Uppal, 35, has served as the Chief Executive Officer of the Company and the Adviser since April 2019, and the Chief Executive Officer of Terra Capital Partners, LLC ("Terra Capital Partners") since December 2018. Mr. Uppal has also served as a director of Terra Property Trust, Inc. ("TPT") and Terra REIT Advisors, LLC ("Terra REIT Advisors") since February 8, 2018 and as Chief Executive Officer of TPT and Terra REIT Advisors since December 1, 2018. Prior to joining Terra Capital Partners, Mr. Uppal was a Partner and Head of Real Estate at Axar Capital Management L.P. ("Axar") since 2016. Prior to Axar, Mr. Uppal was a Managing Director on the Investment Team at Fortress Investment Group's Credit and Real Estate Funds from 2015 to 2016. From 2012 to 2015, Mr. Uppal worked at Mount Kellett Capital Management, a private investment organization, where he served as Co-Head of North American Real Estate Investments. Mr. Uppal holds a B.S. from the University of St. Thomas and a M.S. from Columbia University.

Appointment of Officer

On November 12, 2019, Stephen H. Hamrick notified the Board of his resignation as President of the Company, effective immediately. Mr. Hamrick's resignation did not involve a disagreement with the Company or any matter relating to the Company's operations, policies or practices.

On November 12, 2019, the Board appointed Vikram S. Uppal to serve as President of the Company, effective immediately. The appointment of Mr. Uppal was not made pursuant to any arrangement or understanding between Mr. Uppal and any other person. Mr. Uppal does not have any direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K. In addition, there are no family relationships between Mr. Uppal and any of the Company's executive officers or directors required to be disclosed pursuant to Item 401(d) of Regulation S-K. Biographical information with respect to Mr. Uppal is set forth above.

The following disclosure, provided at our option, would have otherwise been filed in a Current Report on Form 8-K under the heading "Item 8.01. Other Events":

On November 12, 2019, Michael S. Cardello notified the Board of his resignations as Chief Compliance Officer of the Company, effective immediately. Mr. Cardello's resignation did not involve a disagreement with the Company or any matter relating to the Company's operations, policies or practices.

On November 12, 2019, the Board appointed Bernadette Murphy of Vigilant Compliance, LLC ("Vigilant") to serve as Chief Compliance Officer of the Company, effective immediately, pursuant to a services agreement between the Company and Vigilant.

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.

Exhibit No.	Description and Method of Filing
3.1	Articles of Amendment and Restatement of Terra Income Fund 6, Inc. (incorporated by reference to Exhibit (a) to Post-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-202399) filed with the SEC on May 12, 2015).
3.2	Articles of Amendment to the Articles of Amendment and Restatement of Terra Income Fund 6, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on May 1, 2019).
3.3	Amended and Restated Bylaws of Terra Income Fund 6, Inc. (incorporated by reference to Exhibit (b) to Post-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-202399) filed with the SEC on May 12, 2015).
4.1	Form of Subscription Agreement (incorporated by reference to Appendix A to the Final Prospectus dated February 2, 2018, filed with the SEC on February 2, 2018).
4.2	Amended and Restated Distribution Reinvestment Plan (incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K filed with the SEC on November 16, 2018)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

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 13, 2019

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)

Exhibit 31.1

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 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 13, 2019

/s/ Vikram S. Uppal

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

Exhibit 31.2

**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 13, 2019

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

Exhibit 32.1

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, 2019 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 13, 2019

/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)