

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2023-08-11** | Period of Report: **2023-06-30**

SEC Accession No. [0001577134-23-000017](#)

([HTML Version](#) on [secdatabase.com](#))

### FILER

#### **Terra Income Fund 6, LLC**

CIK: [1577134](#) | IRS No.: **000000000** | State of Incorp.: **MD** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: [000-55429](#) | Film No.: **231164867**

Mailing Address  
*205 WEST 28TH STREET  
12TH FLOOR  
NEW YORK NY 10001*

Business Address  
*205 WEST 28TH STREET  
12TH FLOOR  
NEW YORK NY 10001  
212-753-5100*

---

---

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 June 30, 2023

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

For the Transition Period from to

Commission File Number: 000-55429

**Terra Income Fund 6, LLC**

(Exact name of registrant as specified in its charter)

Delaware

92-0548263

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

205 West 28th Street, 12th Floor  
New York, New York 10001

(Address of principal executive offices) (Zip Code)

(212) 753-5100

(Registrant's telephone number, including area code)

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

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

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

All of the limited liability company interest in the registrant is held by an affiliate of the registrant. No market value has been computed based upon the fact that no active trading market had been established as of the date of this document.

#### OMISSION OF CERTAIN INFORMATION

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Quarterly Report on Form 10-Q with reduced disclosure format.

## TABLE OF CONTENTS

|                | <b>Page</b>                                                                                                                                   |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PART I</b>  | <b><u>FINANCIAL INFORMATION</u></b>                                                                                                           |
| Item 1.        | <u>Consolidated Financial Statements</u>                                                                                                      |
|                | <u>Consolidated Balance Sheets (Successor Basis) as of June 30, 2023 (unaudited) and December 31, 2022</u> 2                                  |
|                | <u>Consolidated Statement of Operations (Successor Basis) for the Three and Six Months Ended June 30, 2023 (unaudited)</u> 3                  |
|                | <u>Consolidated Statement of Operations (Predecessor Basis) for the Three and Six Months Ended June 30, 2022 (unaudited)</u> 4                |
|                | <u>Consolidated Statement of Changes in Member’s Capital (Successor Basis) for the Three and Six months ended June 30, 2023 (unaudited)</u> 5 |
|                | <u>Consolidated Statement of Change in Net Assets (Predecessor Basis) for the Three and Six Months Ended June 30, 2022 (unaudited)</u> 6      |
|                | <u>Consolidated Statement of Cash Flows (Successor Basis) for the Six Months Ended June 30, 2023 (unaudited)</u> 7                            |
|                | <u>Consolidated Statement of Cash Flows (Predecessor Basis) for the Six Months Ended June 30, 2022 (unaudited)</u> 8                          |
|                | <u>Notes to Consolidated Financial Statements as of June 30, 2023 (unaudited)</u> 9                                                           |
| Item 2.        | <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 34                                               |
| Item 3.        | <u>Quantitative and Qualitative Disclosures About Market Risk</u> 44                                                                          |
| Item 4.        | <u>Controls and Procedures</u> 44                                                                                                             |
| <b>PART II</b> | <b><u>OTHER INFORMATION</u></b> 44                                                                                                            |
| Item 1.        | <u>Legal Proceedings</u> 44                                                                                                                   |
| Item 1A.       | <u>Risk Factors</u> 44                                                                                                                        |
| Item 2.        | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 44                                                                         |
| Item 3.        | <u>Defaults upon Senior Securities</u> 44                                                                                                     |
| Item 4.        | <u>Mine Safety Disclosures</u> 44                                                                                                             |
| Item 5.        | <u>Other Information</u> 44                                                                                                                   |
| Item 6.        | <u>Exhibits</u> 45                                                                                                                            |
|                | <u>Signatures</u> 46                                                                                                                          |



## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### Terra Income Fund 6, LLC Consolidated Balance Sheets (Successor Basis)

|                                                                                                                             | June 30, 2023<br>(unaudited) | December 31, 2022     |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------|
| <b>Assets</b>                                                                                                               |                              |                       |
| Cash and cash equivalents                                                                                                   | \$ 8,761,896                 | \$ 6,524,596          |
| Restricted cash                                                                                                             | —                            | 215,357               |
| Loans held for investment, net of allowance for credit losses of \$566,541 and none                                         | 59,362,302                   | 79,082,650            |
| Loans held for investment acquired through participation, net of allowance for credit losses of \$3,937,050 and \$3,937,050 | 22,445,906                   | 42,330,376            |
| Equity investment in unconsolidated investment                                                                              | 37,031,942                   | 10,013,691            |
| Marketable securities                                                                                                       | 531,696                      | —                     |
| Interest receivable                                                                                                         | 1,253,090                    | 1,441,044             |
| Prepaid expenses and other assets                                                                                           | 401,906                      | 177,240               |
| <b>Total assets</b>                                                                                                         | <b>\$ 129,788,738</b>        | <b>\$ 139,784,954</b> |
| <b>Liabilities and Equity</b>                                                                                               |                              |                       |
| <b>Liabilities:</b>                                                                                                         |                              |                       |
| Unsecured notes payable, net of purchase discount                                                                           | 34,611,977                   | 34,042,904            |
| Term loan payable, net of deferred financing cost                                                                           | 14,850,000                   | 25,000,000            |
| Interest reserve and other deposits held on investments                                                                     | —                            | 215,357               |
| Accrued expenses                                                                                                            | 224,180                      | 582,816               |
| Other liabilities                                                                                                           | 26,894                       | 252,045               |
| <b>Total liabilities</b>                                                                                                    | <b>49,713,051</b>            | <b>60,093,122</b>     |
| <b>Commitments and contingencies (See <a href="#">Note 7</a>)</b>                                                           |                              |                       |
| <b>Equity:</b>                                                                                                              |                              |                       |
| Managing member                                                                                                             | 80,075,687                   | 79,691,832            |
| <b>Total equity</b>                                                                                                         | <b>80,075,687</b>            | <b>79,691,832</b>     |
| <b>Total liabilities and equity</b>                                                                                         | <b>\$ 129,788,738</b>        | <b>\$ 139,784,954</b> |

*See notes to unaudited consolidated financial statements.*





**Terra Income Fund 6, LLC**  
**Consolidated Statement of Operations (Successor Basis)**  
**(Unaudited)**

|                                                                             | Three Months Ended<br>June 30, 2023 | Six Months Ended June<br>30, 2023 |
|-----------------------------------------------------------------------------|-------------------------------------|-----------------------------------|
| <b>Revenues</b>                                                             |                                     |                                   |
| Interest income                                                             | \$ 2,595,328                        | \$ 5,527,232                      |
| Dividend and other income                                                   | 31,900                              | 37,475                            |
|                                                                             | 2,627,228                           | 5,564,707                         |
| <b>Operating expenses</b>                                                   |                                     |                                   |
| Asset management and asset servicing fees paid to Terra REIT <sup>(1)</sup> | 428,883                             | 863,433                           |
| Operating expense reimbursement to Terra REIT <sup>(1)</sup>                | 406,480                             | 712,360                           |
| Provision (reversal of provision) for credit losses                         | 47,349                              | (67,988)                          |
| Professional fees                                                           | 183,532                             | 466,042                           |
| Insurance expense                                                           | 21,072                              | 83,191                            |
| General and administrative                                                  | 14,727                              | 27,387                            |
|                                                                             | 1,102,043                           | 2,084,425                         |
| <b>Operating income</b>                                                     | 1,525,185                           | 3,480,282                         |
| <b>Other income and expenses</b>                                            |                                     |                                   |
| Unrealized gain on investments, net                                         | 5,829                               | 5,829                             |
| Realized loss on investments, net                                           | (12,512)                            | (12,512)                          |
| (Loss) income from equity investment in unconsolidated investment           | (124,106)                           | 190,907                           |
| Interest expense on unsecured notes payable                                 | (960,049)                           | (1,912,198)                       |
| Interest expense on term loan                                               | (355,468)                           | (707,031)                         |
|                                                                             | (1,446,306)                         | (2,435,005)                       |
| <b>Net income</b>                                                           | \$ 78,879                           | \$ 1,045,277                      |

(1) The fees were paid, and expenses were reimbursed, to Terra Property Trust, Inc. ("Terra REIT") pursuant to a cost sharing agreement with Terra REIT ([Note 5](#)).

*See notes to unaudited consolidated financial statements.*

**Terra Income Fund 6, LLC**  
**Consolidated Statement of Operations (Predecessor Basis)**  
**(Unaudited)**

|                                                                                             | Three months ended<br>June 30, 2022 | Six Months Ended June<br>30, 2022 |
|---------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------|
| <b>Investment income</b>                                                                    |                                     |                                   |
| Interest income                                                                             | \$ 4,078,288                        | \$ 8,165,702                      |
| Dividend and other income                                                                   | 8,596                               | 56,957                            |
| <b>Total investment income</b>                                                              | 4,086,884                           | 8,222,659                         |
| <b>Operating expenses</b>                                                                   |                                     |                                   |
| Base management fees                                                                        | 670,327                             | 1,292,145                         |
| Reversal of incentive fees on capital gains <sup>(1)</sup>                                  | (158,315)                           | (33,674)                          |
| Operating expense reimbursement to Adviser ( <a href="#">Note 5</a> )                       | 316,859                             | 617,049                           |
| Servicing fees ( <a href="#">Note 2</a> , <a href="#">Note 5</a> )                          | 121,133                             | 240,107                           |
| Interest expense on unsecured notes payable                                                 | 766,499                             | 1,531,038                         |
| Professional fees                                                                           | 234,104                             | 589,408                           |
| Interest expense from obligations under participation agreements ( <a href="#">Note 5</a> ) | 140,315                             | 261,882                           |
| Interest expense on term loan                                                               | 410,777                             | 682,281                           |
| Directors' fees                                                                             | 27,126                              | 57,252                            |
| Insurance expense                                                                           | 61,570                              | 128,722                           |
| Transaction costs                                                                           | 1,145,880                           | 1,145,880                         |
| General and administrative expenses                                                         | 14,301                              | 22,574                            |
| <b>Total operating expenses</b>                                                             | 3,750,576                           | 6,534,664                         |
| <b>Net investment income before income taxes</b>                                            | 336,308                             | 1,687,995                         |
| Income tax expense                                                                          | 57,005                              | 496,658                           |
| <b>Net investment income</b>                                                                | 279,303                             | 1,191,337                         |
| Net change in unrealized depreciation on investments                                        | (828,675)                           | (251,088)                         |
| Net change in unrealized depreciation on obligations under participation agreements         | 14,579                              | 26,940                            |
| Net realized gain on investments                                                            | 22,523                              | 55,783                            |
| <b>Net (decrease) increase in net assets resulting from operations</b>                      | \$ (512,270)                        | \$ 1,022,972                      |
| <b>Per common share data:</b>                                                               |                                     |                                   |
| Net investment income per share                                                             | \$ 0.03                             | \$ 0.15                           |
| Net (decrease) increase in net assets resulting from operations per share                   | \$ (0.06)                           | \$ 0.13                           |
| Weighted average common shares outstanding                                                  | 8,110,168                           | 8,098,531                         |

- (1) For the three and six months ended June 30, 2022, the Company reversed previously accrued incentive fees on capital gains of \$158,315 and \$33,674, respectively. Incentive fees on capital gains were based on 20% of net realized and unrealized capital gains. No incentive fees on capital gains were actually payable by the Company with respect to unrealized gains unless and until those gains were realized.

*See notes to unaudited consolidated financial statements.*

**Terra Income Fund 6, LLC**  
**Consolidated Statement of Changes in Member's Capital (Successor Basis)**  
**(Unaudited)**

|                                                                                                                          | <b>Managing<br/>Member</b> | <b>Total</b>  |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------|
| <b>Balance, January 1, 2023</b>                                                                                          | \$ 79,691,832              | \$ 79,691,832 |
| Cumulative effect of adoption of credit loss accounting standard effective<br>January 1, 2023 ( <a href="#">Note 2</a> ) | (661,422)                  | (661,422)     |
| Net income                                                                                                               | 966,398                    | 966,398       |
| <b>Balance, March 31, 2023</b>                                                                                           | 79,996,808                 | 79,996,808    |
| Net income                                                                                                               | 78,879                     | 78,879        |
| <b>Balance, June 30, 2023</b>                                                                                            | \$ 80,075,687              | \$ 80,075,687 |

*See notes to unaudited consolidated financial statements.*

**Terra Income Fund 6, LLC**  
**Consolidated Statement of Changes in Net Assets (Predecessor Basis)**  
**(Unaudited)**

|                                                                                     | Three Months Ended<br>June 30, 2022 | Six months ended June<br>30, 2022 |
|-------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------|
| <b>Operations</b>                                                                   |                                     |                                   |
| Net investment income                                                               | \$ 279,303                          | \$ 1,191,337                      |
| Net change in unrealized depreciation on investments                                | (828,675)                           | (251,088)                         |
| Net change in unrealized depreciation on obligations under participation agreements | 14,579                              | 26,940                            |
| Net realized gain on investments                                                    | 22,523                              | 55,783                            |
| Net (decrease) increase in net assets resulting from operations                     | (512,270)                           | 1,022,972                         |
| <b>Stockholder distributions</b>                                                    |                                     |                                   |
| Distributions from return of capital                                                | (919,973)                           | (1,696,398)                       |
| Distributions from net investment income                                            | —                                   | (130,807)                         |
| Net decrease in net assets resulting from stockholder distributions                 | (919,973)                           | (1,827,205)                       |
| <b>Capital share transactions</b>                                                   |                                     |                                   |
| Reinvestment of stockholder distributions                                           | 213,424                             | 425,287                           |
| Net increase in net assets resulting from capital share transactions                | 213,424                             | 425,287                           |
| <b>Net depreciation in net assets</b>                                               | (1,218,819)                         | (378,946)                         |
| <b>Net assets, at beginning of period</b>                                           | 74,426,517                          | 73,586,644                        |
| <b>Net assets, at end of period</b>                                                 | \$ 73,207,698                       | \$ 73,207,698                     |
| <b>Capital share activity</b>                                                       |                                     |                                   |
| Shares outstanding, at beginning of period                                          | 8,102,167                           | 8,078,627                         |
| Shares issued from reinvestment of stockholder distributions                        | 23,291                              | 46,831                            |
| Shares outstanding, at end of period                                                | 8,125,458                           | 8,125,458                         |

*See notes to unaudited consolidated financial statements.*

**Terra Income Fund 6, LLC**  
**Consolidated Statement of Cash Flows (Successor Basis)**  
**(Unaudited)**

|                                                                                                                                                        | Six Months Ended<br>June 30, 2023 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| <b>Cash flows from operating activities:</b>                                                                                                           |                                   |
| Net income                                                                                                                                             | \$ 1,045,277                      |
| Adjustments to reconcile net income from operations to net cash used in operating activities:                                                          |                                   |
| Reversal of provision for credit losses                                                                                                                | (67,988)                          |
| Amortization of premiums and discounts on investments                                                                                                  | 744,316                           |
| Amortization and accretion of investment-related fees, net                                                                                             | (226,859)                         |
| Amortization of discount on debt                                                                                                                       | 569,073                           |
| Distributions received from equity investment in unconsolidated investments                                                                            | 526,998                           |
| Income from equity investment in unconsolidated investments                                                                                            | (190,907)                         |
| Realized loss on investments, net                                                                                                                      | 12,512                            |
| Unrealized gain on investments, net                                                                                                                    | (5,829)                           |
| Changes in operating assets and liabilities:                                                                                                           |                                   |
| Decrease in interest receivable                                                                                                                        | 187,954                           |
| Increase in prepaid expenses and other assets                                                                                                          | (224,666)                         |
| Decrease in interest reserve and other deposits held on investments                                                                                    | (215,357)                         |
| Decrease in accrued expenses                                                                                                                           | (358,636)                         |
| Decrease in other liabilities                                                                                                                          | (252,044)                         |
| <b>Net cash provided by operating activities</b>                                                                                                       | <b>1,543,844</b>                  |
| <b>Cash flows from investing activities:</b>                                                                                                           |                                   |
| Repayment of loans                                                                                                                                     | 41,777,390                        |
| Purchase of equity interest in unconsolidated investment                                                                                               | (27,354,342)                      |
| Purchase of held-to-maturity debt securities                                                                                                           | (10,012,512)                      |
| Proceeds from redemption of held-to-maturity debt securities                                                                                           | 10,000,000                        |
| Origination and purchase of loans                                                                                                                      | (3,256,570)                       |
| Purchase of marketable securities                                                                                                                      | (525,867)                         |
| <b>Net cash provided by investing activities</b>                                                                                                       | <b>10,628,099</b>                 |
| <b>Cash flows from financing activities:</b>                                                                                                           |                                   |
| Repayments of borrowings under term loan payable                                                                                                       | (10,000,000)                      |
| Payment of financing costs                                                                                                                             | (150,000)                         |
| <b>Net cash used in financing activities</b>                                                                                                           | <b>(10,150,000)</b>               |
| <b>Net increase in cash, cash equivalents and restricted cash</b>                                                                                      | <b>2,021,943</b>                  |
| <b>Cash, cash equivalents and restricted cash, at beginning of period</b>                                                                              | <b>6,739,953</b>                  |
| <b>Cash, cash equivalents and restricted cash, at end of period (Note 2)</b>                                                                           | <b>\$ 8,761,896</b>               |
| <b>Supplemental disclosure of cash flow information:</b>                                                                                               |                                   |
| Cash paid for interest                                                                                                                                 | \$ 2,050,156                      |
| Income taxes paid                                                                                                                                      | \$ 225,000                        |
| <b>Supplemental non-cash information:</b>                                                                                                              |                                   |
| Settlement of a mezzanine loan accounted for as an equity investment in exchange for equity interest in a joint venture that owns real estate (Note 3) | \$ 10,149,642                     |

*See notes to unaudited consolidated financial statements.*



**Terra Income Fund 6, LLC**  
**Consolidated Statement of Cash Flows (Predecessor Basis)**  
**(Unaudited)**

|                                                                                                                         | Six Months Ended June<br>30, 2022 |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| <b>Cash flows from operating activities:</b>                                                                            |                                   |
| Net increase in net assets resulting from operations                                                                    | \$ 1,022,972                      |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities: |                                   |
| Net change in unrealized depreciation on investments                                                                    | 251,088                           |
| Net change in unrealized depreciation on obligations under participation agreements                                     | (26,940)                          |
| Net realized gain on investments                                                                                        | (55,783)                          |
| Amortization and accretion of investment-related fees, net                                                              | (526,576)                         |
| Amortization of discount on debt issuance                                                                               | 178,352                           |
| Amortization of deferred financing costs                                                                                | 120,838                           |
| Purchases of investments                                                                                                | (45,506,615)                      |
| Repayments and proceeds from sale of investments                                                                        | 35,689,626                        |
| Changes in operating assets and liabilities:                                                                            |                                   |
| Increase in interest receivable                                                                                         | (342,289)                         |
| Decrease in prepaid expenses and other assets                                                                           | 251,107                           |
| Decrease in interest reserve and other deposits held on investments                                                     | (29,711)                          |
| Decrease in due to related party                                                                                        | (3,108,922)                       |
| Decrease in due to Adviser, net                                                                                         | (185,915)                         |
| Increase in accrued expenses                                                                                            | 117,582                           |
| Increase in interest payable from obligations under participation agreements                                            | 43,364                            |
| Decrease in other liabilities                                                                                           | (36,900)                          |
| <b>Net cash used in operating activities</b>                                                                            | <b>(12,144,722)</b>               |
| <b>Cash flows from financing activities:</b>                                                                            |                                   |
| Proceeds from borrowings under term loan payable                                                                        | 20,000,000                        |
| Payments of stockholder distributions                                                                                   | (1,401,918)                       |
| Proceeds from obligations under participation agreements                                                                | 959,293                           |
| <b>Net cash provided by financing activities</b>                                                                        | <b>19,557,375</b>                 |
| <b>Net decrease in cash, cash equivalents and restricted cash</b>                                                       | <b>7,412,653</b>                  |
| <b>Cash, cash equivalents and restricted cash, at beginning of period</b>                                               | <b>12,456,874</b>                 |
| <b>Cash, cash equivalents and restricted cash, at end of period (Note 2)</b>                                            | <b>\$ 19,869,527</b>              |
| <b>Supplemental disclosure of cash flow information:</b>                                                                |                                   |
| Cash paid for interest                                                                                                  | \$ 2,069,892                      |
| Income taxes paid                                                                                                       | \$ 206,413                        |
| <b>Supplemental non-cash information:</b>                                                                               |                                   |
| Reinvestment of stockholder distributions                                                                               | \$ 425,287                        |

*See notes to unaudited consolidated financial statements.*



**Terra Income Fund 6, LLC**  
**Notes to Consolidated Financial Statements (Unaudited)**

**Note 1. Principal Business and Organization**

Terra Income Fund 6, LLC (“Terra LLC”) was formed as a Delaware limited liability company on April 29, 2022 as a wholly owned subsidiary of Terra Property Trust, Inc. (“Terra REIT”). On October 1, 2022, pursuant to an Agreement and Plan of Merger, dated as of May 2, 2022 (as amended, the “Merger Agreement”), Terra Income Fund 6, Inc. (“Terra BDC”) merged with and into Terra LLC, with Terra LLC continuing as the surviving entity of the merger (the “Merger”) ([Note 5](#)). Subsequent to the Merger, Terra LLC became the successor of Terra BDC and assumed all of Terra BDC’s rights and obligations. As context requires, the “Company” refers to Terra BDC prior to the Merger and its successor, Terra LLC, after the Merger.

Terra BDC was incorporated under the general corporation laws of the State of Maryland on May 15, 2013. Terra BDC elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). On September 29, 2022, Terra BDC withdrew its election to be regulated as a BDC. Terra BDC was an externally managed, non-diversified, closed-end management investment company that elected to be taxed and qualified annually thereafter, as a real estate investment trust (“REIT”) for U.S. federal income tax purposes under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). Subsequent to the Merger, Terra LLC’s sole member is responsible for paying tax, if any, on the Company’s taxable income.

Terra BDC’s investment activities were externally managed by Terra Income Advisors, LLC (“Terra Income Advisors” or the “Adviser”), a private investment firm affiliated with Terra BDC, pursuant to an investment advisory and administrative services agreement (the “Investment Advisory Agreement”), under the oversight of Terra BDC’s board of directors (the “Terra BDC Board”), a majority of whom were independent directors. In connection with the Merger, the Investment Advisory Agreement was terminated, and the former members of the Terra BDC Board were elected to the board of directors of Terra REIT (the “Terra REIT Board”). Terra LLC does not have a board of directors and Terra REIT is the sole and managing member of Terra LLC. Terra REIT’s investments activities are externally managed by Terra REIT Advisors, LLC (“REIT Manager”), an affiliate of the Company.

In February 2021, Terra BDC issued \$38.4 million in aggregate principal amount of 7.00% fixed-rate notes due 2026, for net proceeds of \$37.2 million, after deducting underwriting commissions of \$1.2 million, see “*Unsecured Notes Payable*” in [Note 6](#) for more information.

The Company is a wholly owned subsidiary of Terra REIT, and its investment objective is to provide attractive risk-adjusted returns to Terra REIT’s stockholders, primarily through Terra REIT’s regular distributions. The Company structures, acquires and maintains a portfolio of investments that generate a stable income stream. The Company directly structures, underwrites and originates 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; however, the Company may acquire existing loans from the originating lender should its adviser determine such an investment is in its best interest. 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. The Company may also seek to realize growth in the value of its investments by timing their sale to maximize value.

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

***Basis of Presentation***

The accompanying interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) and include the accounts of the Company and its consolidated subsidiaries. The accompanying interim consolidated 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. Prior to the Merger, Terra BDC operated

as and met the criteria of an investment company, as defined under U.S. GAAP, and applied accounting and reporting guidance in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 946, *Financial Services — Investment Companies* (the “Predecessor Basis”). As a result of the Merger, Terra LLC has not met the requirements to be classified as an investment company since October 1, 2022. As such, Terra LLC is an operating company and reports its investments at historical cost (the “Successor Basis”). The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition as of and for the periods presented. The interim consolidated financial statements for the three and six months ended June 30, 2022, reflect Terra BDC’s financial results as an investment

## Notes to Unaudited Consolidated Financial Statements

company. The consolidated financial statements as of June 30, 2023 and December 31, 2022, and for the three and six months ended June 30, 2023, reflect Terra LLC's financial results as an operating company.

### ***Consolidation***

As provided under Regulation S-X and ASC Topic 946, the Terra BDC generally did not consolidate its investment in a company other than an investment company or controlled operating company whose business consists of providing services to Terra BDC. Accordingly, Terra BDC consolidated the accounts of its wholly-owned subsidiaries that meet the aforementioned criteria in its consolidated financial statements as of June 30, 2022.

Terra LLC consolidates entities in which it has a controlling financial interest based on either the variable interest entity ("VIE") or voting interest entity ("VOE") model. Terra LLC is required to first apply the VIE model to determine whether it holds a variable interest in an entity, and if so, whether the entity is a VIE. If Terra LLC determines the entity is not a VIE, it then applies the VOE model. Under the VOE model, Terra LLC consolidates an entity when it holds a majority voting interest in an entity.

Terra LLC accounts for investments in which it has significant influence but not a controlling financial interest using the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

### ***Cash and Cash Equivalents***

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

### ***Restricted Cash***

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

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

|                                                                                                     | June 30, 2023       | June 30, 2022        |
|-----------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Cash and cash equivalents                                                                           | \$ 8,761,896        | \$ 19,674,620        |
| Restricted cash                                                                                     | —                   | 194,907              |
| Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows | <u>\$ 8,761,896</u> | <u>\$ 19,869,527</u> |

### ***Loans Held for Investment***

The Company originates, acquires, and structures, or acquires through participations, real estate-related loans generally to be held to maturity (collectively the "loans"). Loans held for investment are carried at the principal amount outstanding, adjusted for the accretion of discounts on investments and exit fees, and the amortization of premiums on investments and origination fees. The Company's preferred equity investments, which are economically similar to mezzanine loans and subordinate to any loans but senior to common equity, are accounted for as loans held for investment. Loans are carried at amortized cost less allowance for credit losses.

Prior to the Merger and under Predecessor Basis of accounting, the Company's investments were reported at fair value, with the changes in fair value recorded as changes in unrealized gains or losses on investments in the consolidated statements of operations.

### ***Current Expected Credit Losses Reserve***

ASC 326, *Financial Instruments – Credit Losses*, became effective for the Company on January 1, 2023. ASC 326 mandates the use of a current expected credit loss (“CECL”) model for estimating future credit losses of certain financial instruments measured at amortized cost, instead of the “incurred loss” credit model previously required under U.S. GAAP. The CECL model requires the consideration of possible credit losses over the life of an instrument as opposed to only estimating credit losses upon the occurrence of a discrete loss event under the previous “incurred loss” methodology. The CECL model

## Notes to Unaudited Consolidated Financial Statements

applies to the Company's loan portfolio and the held-to-maturity debt securities which are carried at amortized cost, including future funding commitments, for which the Company does not have the unconditional right to cancel. Amortized cost is defined as the principal amount outstanding, adjusted for the accretion of purchase discounts and disposition fees, and amortization of purchase premiums and origination fees, and includes accrued interest receivable related to these loans and securities. As permitted by ASC 326, the Company elected not to measure an allowance for credit losses on accrued interest receivable (which is presented separately on the consolidated balance sheet), but rather write off in a timely manner by reversing interest income that would likely be uncollectible. The Company's adoption of the CECL model resulted in a \$0.7 million increase to total reserve, including reserve on future funding commitments, which was recognized as a cumulative-effect adjustment to member's capital as of January 1, 2023. Subsequent to the adoption of the CECL model, any increase or decrease to the CECL reserve is recorded in earnings on the consolidated statement of operations.

The Company utilizes information obtained from internal and external sources relating to past events, current conditions and reasonable and supportable forecasts about the future to determine the expected credit losses for its loan portfolio. The Company does not have a meaningful history of realized credit losses on its loan portfolio so it has subscribed to a third-party database service to provide the Company with industry losses for its loans. The Company utilizes a loan loss model that is widely used among banks and commercial mortgage REITs and is marketed by a leading commercial mortgage-based security data analytics provider. It employs logistic regression to forecast expected losses at the loan level based on a commercial real estate loan securitization database that contains activity dating back to 1998. The Company provides specific loan-level inputs which include loan-to-value and debt service coverage ratio metrics, as well as principal balances, property type, location, coupon rate, coupon rate type, original or remaining term, expected repayment dates and contractual future funding commitments. The Company selects from a group of independent five-year macroeconomic forecasts included in the model that are updated regularly based on current economic trends. Because the Company's loan portfolio is comprised of a small number of loans, the Company measures the CECL reserve based on an evaluation of each loan as its own segregated asset. Based on the inputs, the loan loss model determines a loan loss rate through the generation of probability of defaults (PD) and loss given defaults (LGD) for each loan. The CECL reserve is then calculated by applying the loan loss rate to the total outstanding loan balance of each loan. These results require a significant amount of judgment applied in selecting inputs and analyzing the results produced by the models to determine the allowance for credit losses. Changes in such estimates can significantly affect the expected credit losses.

The calculation of the estimate of expected credit loss considers historical experience and current conditions for each loan and reasonable and supportable forecasts about the future. The reasonable and supportable forecast period is determined based on the Company's assessment of the most likely scenario of assumptions and plausible outcomes for the U.S. economy, current portfolio composition, level of historical loss forecast estimates, material changes in growth and credit strategy and other factors that may affect its loss experience. The Company regularly evaluates the reasonable and supportable forecast period to determine if a change is needed.

Beyond the Company's reasonable and supportable forecast period, the Company generally reverts to historical loss information, pooled by asset type and investment structure, over the remaining loan period, taken from a period that most accurately reflects the expectation of conditions expected to exist during the period of reversion. The Company may adjust historical loss information for differences in risk that may not reflect the characteristics of its current portfolio, including but not limited to, loan-to-value and debt service coverage ratios, among other relevant factors. The method of reversion selected represents the best estimate of the collectability of the investments and is reevaluated each reporting period. The Company generally expects to use an average historical loss for reversion, utilizing an immediate or straight-line method for the remaining life of the loans.

The Company also performs a qualitative assessment beyond model estimates and applies qualitative adjustments as necessary. The Company's qualitative analysis includes a review of data that may directly impact its estimates including internal and external information about the loan or property including current market conditions, asset specific conditions, property operations or borrower/sponsor details (i.e., refinance, sale, bankruptcy) which allows the Company to determine the amount of the expected loss more accurately and reasonably for these investments. The Company also evaluates the contractual life of its loans to determine if changes are needed for contractual extension options, renewals, modifications, and prepayments.



During the loan review process, if the Company determines that it is not able to collect all amounts due for both principal and interest according to the contractual terms of a loan, the Company considers that loan non-performing. For all non-performing loans, such as those in default, collateral-dependent or modified loans, including historical troubled debt restructurings, the Company removes these loans from the industry loss rate approach described above and analyzes them separately. The credit loss reserve for these loans is calculated as any excess of the amortized cost of the loan over (i) the present value of expected future cash flows discounted at the appropriate discount rate or (ii) the fair value of collateral, if repayment is expected solely from the collateral.

## Notes to Unaudited Consolidated Financial Statements

Some of the Company's loans include commitments to fund incremental proceeds to the borrowers over the life of the loan and these unfunded commitments are also subject to the CECL model because the Company does not have an unconditional right to cancel such commitments. The CECL reserve related to unfunded commitments is recorded as a component of other liabilities on the Company's consolidated balance sheets. This CECL reserve is estimated using the same method outlined above for the Company's outstanding loan balances and increases or decreases in the CECL reserve relating to unfunded commitments are also recorded in earnings on the consolidated statements of operations.

As discussed below in Recent Accounting Pronouncements, the Company adopted the provisions of Accounting Standards Update ("ASU") 2022-02 Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02") concurrently with the adoption of CECL on January 1, 2023, prospectively.

### ***Marketable Securities***

From time to time, the Company may invest in short term debt and equity securities. These securities are classified as available-for-sale securities and are carried at fair value. Changes in the fair value of equity securities are recognized in earnings. Changes in the fair value of debt securities are reported in other comprehensive income until a gain or loss on the securities is realized.

### ***Held-to-Maturity Debt Securities***

The Company classifies debt securities for which it has both the positive intent and ability to hold until maturity of the security as held-to-maturity debt securities. These securities are recorded at amortized cost with changes in amortized cost recognized in earnings until realized. Held-to-maturity debt securities are subject to the CECL reserve described above.

### ***Revenue Recognition***

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

*Interest Income:* Interest income is accrued based upon the outstanding principal amount and contractual terms of the loans and preferred equity investments that the Company expects to collect, and it is accrued and recorded on a daily basis. Discounts and premiums on investments purchased are accreted or amortized over the expected life of the respective loan using the effective yield method, and are included in interest income in the consolidated statements of operations. Loan origination fees and exit fees, net of portions attributable to obligations under participation agreements, are capitalized and amortized or accreted to interest income over the life of the investment using the effective yield method. Outstanding interest receivable is assessed for recoverability. The Company generally reverses the accrued and unpaid interest against interest income and no longer accrues for the interest when, in the opinion of the Manager, recovery of income and principal becomes doubtful. Interest is then recorded on the basis of cash received until accrual is resumed when the loan becomes contractually current and performance is demonstrated. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability.

The Company holds loans 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.

*Other Revenues:* Prepayment fee income is recognized as prepayments occur. All other income is recognized when earned.

### ***Deferred Debt Issuance Costs***

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

### ***Stockholder Dividends and Distributions***

Dividends and distributions to stockholders, which were determined in accordance with federal income tax regulations, were recorded on the declaration date. The amount to be paid out as a dividend or distribution was approved by the Terra BDC Board. Net realized capital gains, if any, were generally distributed or deemed distributed at least annually. Terra BDC adopted an “opt in” DRIP pursuant to which stockholders may elect to have the full amount of stockholders cash distributions reinvested in additional shares of common stock. Participants in the DRIP were 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 into the DRIP, they had their cash distributions reinvested in additional shares of common stock, rather than receiving the cash distributions. Pursuant to the

DRIP, shares were issued at a price equal to Terra BDC's most recently disclosed net asset value ("NAV") per share of its common stock immediately prior to the applicable distribution payment date. In connection with the Merger, the DRIP was terminated and Terra REIT will make monthly distributions to stockholders. On January 20, 2023, the Terra REIT Board adopted a distribution reinvestment plan (the "Plan"), pursuant to which Terra REIT's stockholders may elect to reinvest cash distributions payable by Terra REIT in additional shares of Class A Common Stock and Class B Common Stock, at the price per share determined pursuant to the Plan.

### ***Incentive Fee on Capital Gains***

Pursuant to the terms of the Investment Advisory Agreement, the incentive fee on capital gains was determined and payable in arrears as of the end of each fiscal year (or upon termination of the Investment Advisory Agreement). This fee equaled 20.0% of Terra BDC's incentive fee on capital gains, which equaled 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, Terra BDC accrued (but did 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 included nor contemplated 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, Terra BDC accrued 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 reflected the incentive fees that would be payable to Terra Income Advisors if Terra BDC's entire portfolio was liquidated at its fair value as of the balance sheet date even though Terra Income Advisors was not entitled to an incentive fee with respect to unrealized gains unless and until such gains are actually realized.

In connection with the Merger, the Investment Advisory Agreement was terminated and the Company no longer pays any fees to the Adviser. Such fees are now payable by Terra REIT pursuant to its management agreement with the REIT Manager. Terra LLC and Terra REIT have entered into a cost sharing and reimbursement agreement (the "Cost Sharing Agreement") pursuant to which Terra LLC will be responsible for its allocable share of Terra REIT's expenses, including fees paid by Terra REIT to the REIT Manager.

### ***Servicing Fee***

Terra BDC paid selected dealers a servicing fee at an annual rate of 0.75% of the most recently published NAV per share, excluding shares sold through the DRIP, in exchange for providing certain administrative support services ([Note 5](#)) 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 was recorded as expense on the consolidated statements of operations in the period in which it was incurred. In connection with the Merger, the servicing plan was terminated and the servicing fee is no longer payable.

### ***Income Taxes***

Terra BDC 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, Terra BDC was required, among other things, to distribute dividends equal to at least 90% of its REIT net taxable income to the stockholders annually and meet certain tests regarding the nature of its income and assets. As a REIT, Terra BDC was not subject to U.S. federal income taxes on income and gains distributed to the stockholders as long as certain requirements were satisfied, principally relating to the nature of income and the level of distributions, as well as other factors. For the nine months ended September 30, 2022, Terra BDC satisfied all the requirements for a REIT. Subsequent to the Merger, Terra REIT, the sole member of Terra LLC, will be responsible for paying tax, if any, on the Company's taxable income.

Terra BDC held certain portfolio company investments through consolidated taxable REIT subsidiaries ("TRSs"). Such subsidiaries may be subject to U.S. federal and state corporate-level income taxes. These consolidated subsidiaries recognized deferred tax assets and liabilities for the estimated future tax effects attributable to temporary differences between the tax basis of certain assets and liabilities

and the reported amounts included in the accompanying consolidated statements of assets and liabilities using the applicable statutory tax rates in effect for the year in which any such temporary differences are expected to reverse. In connection with the Merger on October 1, 2022, Terra BDC's TRS became a qualified REIT subsidiary of Terra LLC.

Terra BDC did not have any uncertain tax positions that met the recognition or measurement criteria under accounting for income taxes, nor did Terra BDC have any unrecognized tax benefits as of the periods presented herein. Terra BDC recognized interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in its statements of operations. For the

nine months ended September 30, 2022, Terra BDC did not incur any interest or penalties. Terra BDC's 2019-2022 federal tax years remain subject to examination by the Internal Revenue Service and the state department of revenue.

### *Use of Estimates*

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

### *Recent Accounting Pronouncements*

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. In April 2019, the FASB issued additional amendments to clarify the scope of ASU 2016-13 and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other things. In May 2019, the FASB issued ASU 2019-05 — Targeted Transition Relief, which provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. In October 2019, the FASB decided that for smaller reporting companies, ASU 2016-13 and related amendments will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company meets the definition of a smaller reporting company under the regulation of the Securities and Exchange Commission. The Company adopted this ASU and related amendments on January 1, 2023. The adoption of ASU 2016-13 resulted in an incremental reserve of approximately \$0.7 million, which included reserve on future loan funding commitments. The Company recorded the cumulative effect of initially applying this guidance as an adjustment to member's equity using the modified retrospective method of adoption.

London Interbank Offered Rate ("LIBOR") is a benchmark interest rate referenced in a variety of agreements that are used by all types of entities. In July 2017, the U.K. Financial Conduct Authority, which regulates the LIBOR administrator, ICE Benchmark Administration Limited ("IBA"), announced that it would cease to compel banks to participate in setting LIBOR as a benchmark by the end of 2021, which has subsequently been delayed to June 30, 2023. In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) — Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). The amendments in ASU 2020-04 provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848), which expanded the scope of Topic 848 to include derivative instruments impacted by discounting transition ("ASU 2021-01"). In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848) — Deferral the Sunset Date of Topic 848 ("ASU 2022-06"). ASU 2022-06 deferred the sunset date of ASU 2020-04 to December 31, 2024. In the event LIBOR is unavailable, the Company's investment documents provide for a substitute index, on a basis generally consistent with market practice, intended to put the Company in substantially the same economic position as LIBOR. As a result, the Company has not adopted the new ASUs and does not expect the reference rate reform and the adoption of ASU 2020-04 and ASU 2021-01 to have a material impact on its consolidated financial statements and disclosures.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02"). ASU 2022-02 eliminates troubled debt restructuring guidance for organizations that adopted the amendments in ASU 2016-13 while providing for additional disclosures for loan modifications. ASU 2022-02 also amends the vintage disclosure guidance for public business entities. The Company adopted the provisions of ASU 2022-02 concurrently with the adoption of ASU 2016-13. The adoption of ASU 2022-02 did not have any material impact on the Company's financial condition and results of operations.

**Note 3. Loans Held for Investment**

The Company elected the practical expedient under ASC 326 to exclude accrued interest from amortized cost. As of June 30, 2023 and December 31, 2022, accrued interest receivable of \$1.3 million and \$1.4 million, respectively, is included in interest receivable on the consolidated balance sheets, and is excluded from the amortized cost of loans held for investment.

## Notes to Unaudited Consolidated Financial Statements

### Portfolio Summary

The following table provides a summary of the Company's loan portfolio:

|                                         | June 30, 2023 |                                 |               | December 31, 2022 |                                 |                |
|-----------------------------------------|---------------|---------------------------------|---------------|-------------------|---------------------------------|----------------|
|                                         | Fixed Rate    | Floating Rate <sup>(1)(2)</sup> | Total         | Fixed Rate        | Floating Rate <sup>(1)(2)</sup> | Total          |
| Number of loans                         | 4             | 2                               | 6             | 6                 | 3                               | 9              |
| Principal balance                       | \$ 43,267,842 | \$ 42,271,673                   | \$ 85,539,515 | \$ 61,913,795     | \$ 61,826,028                   | \$ 123,739,823 |
| Carrying value                          | \$ 43,487,381 | \$ 38,320,827                   | \$ 81,808,208 | \$ 62,781,893     | \$ 58,631,133                   | \$ 121,413,026 |
| Fair value                              | \$ 43,273,776 | \$ 39,113,475                   | \$ 82,387,251 | \$ 62,035,611     | \$ 58,244,737                   | \$ 120,280,348 |
| Weighted-average coupon rate            | 13.7%         | 16.4%                           | 15.0%         | 14.1%             | 14.4%                           | 14.2%          |
| Weighted-average remaining term (years) | 0.70          | 0.78                            | 0.71          | 0.86              | 0.77                            | 0.80           |

- (1) These loans pay a coupon rate of LIBOR , Secured Overnight Financing Rate ("SOFR"), or forward-looking term rate based on SOFR ("Term SOFR"), as applicable, plus a fixed spread. Coupon rates shown were determined using LIBOR of 5.2% and average SOFR and Term SOFR of 5.1% as of June 30, 2023, and LIBOR of 4.4% and average SOFR of 4.1% as of December 31, 2022.
- (2) As of June 30, 2023 and December 31, 2022, two and three loans, respectively, were subject to a LIBOR, SOFR or Term SOFR floor, as applicable.

### Lending Activities

The following table presents the activities of the Company's loan portfolio for the six months ended June 30, 2023:

|                                                                                                                       | Loans Held for Investment through |                         |                |
|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------|----------------|
|                                                                                                                       | Loans Held for Investment         | Participation Interests | Total          |
| Balance, January 1, 2023                                                                                              | \$ 79,082,650                     | \$ 42,330,376           | \$ 121,413,026 |
| Cumulative effect of adoption of credit loss accounting standard effective January 1, 2023 ( <a href="#">Note 2</a> ) | (593,040)                         | —                       | (593,040)      |
| New loans made                                                                                                        | 3,023,096                         | 233,474                 | 3,256,570      |
| Principal repayments received                                                                                         | (21,655,810)                      | (20,121,580)            | (41,777,390)   |
| Net amortization of discounts on loans                                                                                | (662,905)                         | (81,411)                | (744,316)      |
| Accrual, payment and accretion of investment-related fees and other, net                                              | 141,812                           | 85,047                  | 226,859        |
| Reversal of provision for credit losses                                                                               | 26,499                            | —                       | 26,499         |
| Balance, June 30, 2023                                                                                                | \$ 59,362,302                     | \$ 22,445,906           | \$ 81,808,208  |





## Notes to Unaudited Consolidated Financial Statements

### Portfolio Information

The tables below detail the types of loans in the Company's loan portfolio, as well as the property type and geographic location of the properties securing these loans:

| Loan Structure               | June 30, 2023     |                |            | December 31, 2022 |                |            |
|------------------------------|-------------------|----------------|------------|-------------------|----------------|------------|
|                              | Principal Balance | Carrying Value | % of Total | Principal Balance | Carrying Value | % of Total |
| Preferred equity investments | \$ 61,289,515     | \$ 61,863,420  | 75.6 %     | \$ 58,823,211     | \$ 59,521,319  | 49.0 %     |
| First mortgages              | 21,250,000        | 21,522,542     | 26.3 %     | 41,970,028        | 42,800,010     | 35.3 %     |
| Mezzanine loans              | 3,000,000         | 2,925,837      | 3.6 %      | 6,282,208         | 6,231,399      | 5.1 %      |
| Credit facility              | —                 | —              | — %        | 16,664,376        | 16,797,348     | 13.8 %     |
| Allowance for credit losses  | —                 | (4,503,591)    | (5.5)%     | —                 | (3,937,050)    | (3.2)%     |
| Total                        | \$ 85,539,515     | \$ 81,808,208  | 100.0 %    | \$ 123,739,823    | \$ 121,413,026 | 100.0 %    |

  

| Property Type               | June 30, 2023     |                |            | December 31, 2022 |                |            |
|-----------------------------|-------------------|----------------|------------|-------------------|----------------|------------|
|                             | Principal Balance | Carrying Value | % of Total | Principal Balance | Carrying Value | % of Total |
| Office                      | \$ 23,704,377     | \$ 23,704,380  | 28.9 %     | \$ 23,655,377     | \$ 23,655,377  | 19.5 %     |
| Infrastructure              | 21,250,000        | 21,522,542     | 26.3 %     | 21,250,000        | 21,705,029     | 17.9 %     |
| Multifamily                 | 19,017,842        | 19,297,442     | 23.6 %     | 17,717,211        | 18,048,117     | 14.9 %     |
| Mixed use                   | 18,567,296        | 18,861,598     | 23.1 %     | 41,452,859        | 42,227,836     | 34.7 %     |
| Student housing             | 3,000,000         | 2,925,837      | 3.6 %      | 3,000,000         | 2,916,369      | 2.4 %      |
| Industrial                  | —                 | —              | — %        | 16,664,376        | 16,797,348     | 13.8 %     |
| Allowance for credit losses | —                 | (4,503,591)    | (5.5)%     | —                 | (3,937,050)    | (3.2)%     |
| Total                       | \$ 85,539,515     | \$ 81,808,208  | 100.0 %    | \$ 123,739,823    | \$ 121,413,026 | 100.0 %    |

  

| Geographic Location         | June 30, 2023     |                |            | December 31, 2022 |                |            |
|-----------------------------|-------------------|----------------|------------|-------------------|----------------|------------|
|                             | Principal Balance | Carrying Value | % of Total | Principal Balance | Carrying Value | % of Total |
| United States               |                   |                |            |                   |                |            |
| New York                    | \$ 26,382,953     | \$ 26,382,956  | 32.3 %     | \$ 29,437,256     | \$ 29,470,078  | 24.3 %     |
| California                  | 21,567,296        | 21,787,435     | 26.6 %     | 37,114,999        | 37,531,542     | 30.8 %     |
| Utah                        | 21,250,000        | 21,522,542     | 26.3 %     | 21,250,000        | 21,705,029     | 17.9 %     |
| Georgia                     | 16,339,266        | 16,618,866     | 20.3 %     | 15,217,540        | 15,548,446     | 12.8 %     |
| North Carolina              | —                 | —              | — %        | 20,720,028        | 21,094,981     | 17.4 %     |
| Allowance for credit losses | —                 | (4,503,591)    | (5.5)%     | —                 | (3,937,050)    | (3.2)%     |
| Total                       | \$ 85,539,515     | \$ 81,808,208  | 100.0 %    | \$ 123,739,823    | \$ 121,413,026 | 100.0 %    |

### Current Expected Credit Losses Reserve

As described in [Note 2](#), on January 1, 2023, the Company adopted the provisions of ASU 2016-13, which requires entities to recognize credit losses on financial instruments based on an estimate of current expected credit losses. The adoption of ASU 2016-13 resulted in a \$0.7 million increase to total reserve, including reserve on future funding commitments, which was recognized as a cumulative-effect adjustment to member's capital as of January 1, 2023.

## Notes to Unaudited Consolidated Financial Statements

The following table presents the activity in allowance for credit losses for funded loans:

|                                                                                                   | Six Months Ended June 30, |                   |
|---------------------------------------------------------------------------------------------------|---------------------------|-------------------|
|                                                                                                   | 2023                      | 2022              |
|                                                                                                   | Successor Basis           | Predecessor Basis |
| Allowance for credit losses, beginning of period                                                  | \$ 3,937,050              | \$ —              |
| Cumulative effect of adoption of ASU 2016-13 effective January 1, 2023 ( <a href="#">Note 2</a> ) | 593,040                   | —                 |
| Reversal of provision for credit losses                                                           | (26,499)                  | —                 |
| Charge-offs                                                                                       | —                         | —                 |
| Recoveries                                                                                        | —                         | —                 |
| Allowance for credit losses, end of period                                                        | <u>\$ 4,503,591</u>       | <u>\$ —</u>       |

Certain of the Company's loans contain provisions for future fundings, which are subject to the borrower meeting certain performance-related metrics that are monitored by the Company. These unfunded commitments amounted to approximately \$1.8 million and \$5.9 million as of June 30, 2023 and December 31, 2022, respectively.

The following table presents the activity in the liability for credit losses on unfunded commitments:

|                                                                                                           | Six Months Ended June 30, 2023 |
|-----------------------------------------------------------------------------------------------------------|--------------------------------|
| Liability for credit losses on unfunded commitments, beginning of period                                  | \$ —                           |
| Cumulative effect of credit loss accounting standard effective January 1, 2023 ( <a href="#">Note 2</a> ) | 68,382                         |
| Reversal of provision for credit losses                                                                   | (41,489)                       |
| Liability for credit losses on unfunded commitments, end of period                                        | <u>\$ 26,893</u>               |

The allowance for credit losses for unfunded commitments is included in other liabilities on the consolidated balance sheets.

### ***Accrued Interest Receivable***

The Company elected not to measure a CECL reserve on accrued interest receivable due to the Company's policy of writing off uncollectible accrued interest receivable balances in a timely matter. If the Company determines it has uncollectible accrued interest receivable, it generally would reverse the accrued and unpaid interest against interest income and no longer accrue interest. For the three and six months ended June 30, 2023 and 2022, the Company did not reverse any interest income accrual because all accrued interest income were deemed collectible. As of both June 30, 2023 and December 31, 2022, the Company had two loans that were in default, and suspended interest income accrual of \$1.0 million and \$2.0 million for the three and six months ended June 30, 2023, respectively, because recovery of such income was doubtful. As of June 30, 2023 and December 31, 2022, there was no outstanding interest receivable on these loans.

### ***Non-Performing Loans***

As discussed in [Note 2](#), for loans that are considered non-performing, the Company removes them from the industry loss rate approach and analyzes them separately. As of both June 30, 2023 and December 31, 2022, the Company had two non-performing loans with total carrying value of \$26.4 million and \$26.2 million, respectively. The allowance for credit losses for these non-performing loans were \$3.9 million as of both June 30, 2023 and December 31, 2022.

### ***Loan Risk Rating***

The Company assesses the risk factors of each loan and assigns each loan a risk rating between 1 and 5, which is an average of the numerical ratings in the following categories: (i) sponsor capability and financial condition; (ii) loan and collateral performance relative to underwriting; (iii) quality and stability of collateral cash flows and/or reserve balances; and (iv) loan to value. Based on a 5-point scale, the Company's loans are rated "1" through "5", from less risk to greater risk as follows:

## Notes to Unaudited Consolidated Financial Statements

| Risk Rating | Description           |
|-------------|-----------------------|
| 1           | Very low risk         |
| 2           | Low risk              |
| 3           | Moderate/average risk |
| 4           | Higher risk           |
| 5           | Highest risk          |

The following table presents the amortized cost of the Company's loan portfolio by year of origination and loan risk rating as of June 30, 2023:

| June 30, 2023                             |                 |                |            |                                   |               |               |      |      |               |
|-------------------------------------------|-----------------|----------------|------------|-----------------------------------|---------------|---------------|------|------|---------------|
| Loan Risk Rating                          | Number of Loans | Amortized Cost | % of Total | Amortized Cost by Year Originated |               |               |      |      |               |
|                                           |                 |                |            | 2023                              | 2022          | 2021          | 2020 | 2019 | Prior         |
| 1                                         | —               | \$ —           | — %        | \$ —                              | \$ —          | \$ —          | \$ — | \$ — | \$ —          |
| 2                                         | —               | —              | — %        | —                                 | —             | —             | —    | —    | —             |
| 3                                         | 3               | 41,067,246     | 47.5 %     | —                                 | —             | 38,141,409    | —    | —    | 2,925,837     |
| 4                                         | 1               | 18,861,598     | 21.9 %     | —                                 | 18,861,598    | —             | —    | —    | —             |
| 5                                         | —               | —              | — %        | —                                 | —             | —             | —    | —    | —             |
| Non-performing                            | 2               | 26,382,955     | 30.6 %     | —                                 | —             | —             | —    | —    | 26,382,955    |
|                                           | 6               | 86,311,799     | 100.0 %    | \$ —                              | \$ 18,861,598 | \$ 38,141,409 | \$ — | \$ — | \$ 29,308,792 |
| Allowance for credit losses               |                 | (4,503,591)    |            |                                   |               |               |      |      |               |
| Total, net of allowance for credit losses |                 | \$ 81,808,208  |            |                                   |               |               |      |      |               |

The following table presents the principal balance and the amortized cost of the Company's loans based on the loan risk rating as of December 31, 2022:

December 31, 2022

| Loan Risk Rating                          | Number of<br>Loans | Principal Balance | Amortized Cost | % of Total |
|-------------------------------------------|--------------------|-------------------|----------------|------------|
| 1                                         | —                  | \$ —              | \$ —           | — %        |
| 2                                         | —                  | —                 | —              | — %        |
| 3                                         | 7                  | 97,584,775        | 99,195,028     | 79.1 %     |
| 4                                         | —                  | —                 | —              | — %        |
| 5                                         | —                  | —                 | —              | — %        |
| Non-performing <sup>(1)</sup>             | 2                  | 26,155,048        | 26,155,048     | 20.9 %     |
|                                           | 9                  | \$ 123,739,823    | 125,350,076    | 100.0 %    |
| Allowance for credit losses               |                    |                   | (3,937,050)    |            |
| Total, net of allowance for credit losses |                    |                   | \$ 121,413,026 |            |

(1) Because these loans have an event of default, they were removed from the pool of loans on which a general allowance was calculated and were evaluated for collectability individually. As of December 31, 2022, the specific allowance for credit losses on these loans were \$3.9 million, as a result of a decline in the fair value of the respective collateral.

#### Equity Investment in Unconsolidated Investment

On December 28, 2022, the Company originated a \$10.0 million mezzanine loan to a borrower to finance the acquisition of a real estate portfolio. Additionally, the Company entered into a residual profit-sharing agreement with the borrower in which the borrower would pay the Company an additional amount of 35.0% of remaining net cash flow from the sale of the real estate portfolio. The Company accounted for the entire arrangement as equity investment in unconsolidated investment. In May 2023, the Company made a cash payment of \$27.4 million and settled the \$10.0 million mezzanine loan in exchange for an 80.0% equity interest in a joint venture that owns the real estate portfolio. The Company accounts for its equity interest in the joint venture as an equity method investment because the Company does not have a controlling financial interest in the entity. As of

June 30, 2023 and December 31, 2022, equity investment in unconsolidated investment had a carrying value of \$37.0 million and \$10.0 million, respectively. For the three and six months ended June 30, 2023, the Company recorded the interest income accrued on the mezzanine loan as income from equity investment in unconsolidated investment of \$0.2 million and \$0.5 million, respectively, and the payments received on interest income as distributions from equity investment in unconsolidated investment of \$0.3 million and \$0.5 million, respectively. Additionally, for both the three and six months ended June 30, 2023, the Company recorded equity loss from its investment on the joint venture of \$0.3 million.

#### Held-to-Maturity Debt Securities

In the first quarter of 2023, the Company purchased \$10.0 million of corporate bonds with a coupon rate of 6.125% that matured on May 15, 2023. The Company classified these bonds as held-to-maturity debt securities, as it had the intent and ability to hold these securities until maturity. These securities were recorded at amortized cost and were fully redeemed at par on May 15, 2023.

#### Note 4. Fair Value Measurements

The Company follows the provisions of ASC 820, *Fair Value Measurement* ("ASC 820"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 established a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). Investments with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Investments measured and reported at fair value are classified and disclosed into one of the following categories based on the inputs as follows:

*Level 1* — Quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company has the ability to access.

*Level 2* — Pricing inputs are other than quoted prices in active markets, including, but not limited to, quoted prices for similar assets and liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

*Level 3* — Significant unobservable inputs are based on the best information available in the circumstances, to the extent observable inputs are not available, including the Company's own assumptions used in determining the fair value of investments. Fair value for these investments is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant management judgment.

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 judgment, and the Company considers factors specific to the investment.

As of June 30, 2023 and December 31, 2022, the Company had not elected the fair value option for its financial instruments, including loans held for investment, loans held for investment acquired through participation, term loan payable and unsecured notes



payable. Such financial instruments are carried at cost, less impairment or less net deferred costs, where applicable. Held-to-maturity debt securities are financial instruments that are reported at amortized cost.

***Financial Instruments Carried at Fair Value on a Recurring Basis***

From time to time, the Company may invest in short-term debt and equity securities which are classified as available-for-sale securities, and are presented at fair value on the consolidated balance sheet. Changes in the fair value of equity securities are recognized in earnings. Changes in the fair value of debt securities are reported in other comprehensive income until the securities are realized. Additionally, the Company may invest in short-term money market funds. These funds are included in cash and cash equivalents on the consolidated balance sheet due to their short-term nature and can be easily converted to cash.

## Notes to Unaudited Consolidated Financial Statements

As of December 31, 2022, the Company did not own financial instruments that were carried at fair value. The following table presents fair value measurements of financial instruments that were carried at fair value, by major class, as of June 30, 2023, according to the fair value hierarchy:

|                                         | June 30, 2023           |         |         |              |
|-----------------------------------------|-------------------------|---------|---------|--------------|
|                                         | Fair Value Measurements |         |         |              |
|                                         | Level 1                 | Level 2 | Level 3 | Total        |
| Money market fund <sup>(1)</sup>        | \$ 2,525,843            | \$ —    | \$ —    | \$ 2,525,843 |
| Marketable securities - debt securities | 531,696                 | —       | —       | 531,696      |
| Total                                   | \$ 3,057,539            | \$ —    | \$ —    | \$ 3,057,539 |

(1) Included in cash and cash equivalents on the consolidated balance sheets.

The following table presents the activities of the marketable securities for the periods presented.

|                                          | Six Months Ended June 30, |      |
|------------------------------------------|---------------------------|------|
|                                          | 2023                      | 2022 |
| Beginning balance                        | \$ —                      | \$ — |
| Purchases                                | 525,867                   | —    |
| Unrealized gain on marketable securities | 5,829                     | —    |
| Ending balance                           | \$ 531,696                | \$ — |

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

The following table presents the carrying value and estimated fair value of the Company's financial instruments that are not carried at fair value on the consolidated balance sheets as of:

|                                                          |       | June 30, 2023        |                   |               | December 31, 2022    |                   |               |
|----------------------------------------------------------|-------|----------------------|-------------------|---------------|----------------------|-------------------|---------------|
|                                                          |       | (Successor Basis)    |                   |               |                      |                   |               |
|                                                          | Level | Principal<br>Balance | Carrying<br>Value | Fair Value    | Principal<br>Balance | Carrying<br>Value | Fair Value    |
| Investments:                                             |       |                      |                   |               |                      |                   |               |
| Loans held for investment                                | 3     | \$ 59,156,562        | \$ 59,928,843     | \$ 59,949,503 | \$ 77,638,191        | \$ 79,082,650     | \$ 78,011,106 |
| Loans held for investment acquired through participation | 3     | 26,382,953           | 26,382,956        | 22,437,748    | 46,101,632           | 46,267,426        | 42,269,242    |
| Allowance for credit losses                              |       | —                    | (4,503,591)       | —             | —                    | (3,937,050)       | —             |
| Total loans                                              |       | 85,539,515           | 81,808,208        | 82,387,251    | 123,739,823          | 121,413,026       | 120,280,348   |
| Liabilities:                                             |       |                      |                   |               |                      |                   |               |
| Unsecured notes payable <sup>(1)(2)</sup>                | 1     | \$ 38,375,000        | \$ 34,611,977     | \$ 36,533,000 | \$ 38,375,000        | \$ 34,042,904     | \$ 35,381,748 |
| Term loan payable <sup>(3)(4)</sup>                      | 3     | 15,000,000           | 14,850,000        | 15,000,000    | 25,000,000           | 25,000,000        | 25,000,000    |
|                                                          |       | \$ 53,375,000        | \$ 49,461,977     | \$ 51,533,000 | \$ 63,375,000        | \$ 59,042,904     | \$ 60,381,748 |

- (1) Carrying value is net of unamortized purchase discount of \$3.8 million and \$4.3 million as of June 30, 2023 and December 31, 2022, respectively.
- (2) Valuation falls under Level 1 of the fair value hierarchy, which is based on the trading price of \$23.80 and \$23.05 as of the close of business day on June 30, 2023 and December 31, 2022, respectively.
- (3) Carrying value is net of unamortized discount of \$150,000 as of June 30, 2023.
- (4) Valuation falls under Level 3 of the fair value hierarchy, which is based on a discounted cash flow model with a discount rate of 12.48% and 5.625%, as of June 30, 2023 and December 31, 2022, respectively

#### **Valuation Methodology**

The fair value of the Company's investment in corporate bonds, preferred stock and common stock within the marketable securities portfolio, if any, is determined based on quoted prices in an active market and is classified as Level 1 of the fair value

## Notes to Unaudited Consolidated Financial Statements

hierarchy. Additionally, the fair value of the Company's unsecured notes payable is determined based on quoted price in an active market and is also classified as Level 1.

Market quotations are not readily available for the Company's real estate-related loan investments, all of which are included in Level 3 of the fair value hierarchy, as 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 REIT Advisors provides the Terra REIT Board, (which is made up exclusively of independent directors) with the investment 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. Terra REIT Advisors reviews the preliminary valuation with the Terra REIT Board and, together with an independent valuation firm, if applicable, responds and supplements the preliminary valuation to reflect any comments provided by the Terra REIT Board. Terra REIT Advisors discusses valuations and determines the fair value of each investment in the portfolio in good faith based on various metrics and other factors, including the input and recommendation provided by the Terra REIT Boards and any third-party valuation firm, if applicable.

### Significant Unobservable Inputs

The following tables summarize the significant unobservable inputs used by the Company to value the Level 3 investments as of June 30, 2023 and December 31, 2022. The following tables are not intended to be all-inclusive, but instead identify the significant unobservable inputs relevant to the determination of fair values.

| June 30, 2023                                       |               |                             |                    |         |         |          |
|-----------------------------------------------------|---------------|-----------------------------|--------------------|---------|---------|----------|
| Asset Category                                      | Fair Value    | Primary Valuation Technique | Unobservable Input | Range   |         | Weighted |
|                                                     |               |                             |                    | Minimum | Maximum | Average  |
| Assets:                                             |               |                             |                    |         |         |          |
| Loans                                               | \$ 59,949,503 | Discounted cash flow        | Discount rate      | 12.45 % | 16.31 % | 15.23 %  |
| Loans through participation interest <sup>(1)</sup> | 22,437,748    | Discounted cash flow        | Discount rate      | N/A     | N/A     | N/A      |
| Total Level 3 Assets                                | \$ 82,387,251 |                             |                    |         |         |          |

(1) Valuation for these loans is based on recovery analysis.

December 31, 2022

| Asset Category                       | Fair Value     | Primary<br>Valuation<br>Technique | Unobservable Input | Range   |         | Weighted |
|--------------------------------------|----------------|-----------------------------------|--------------------|---------|---------|----------|
|                                      |                |                                   |                    | Minimum | Maximum | Average  |
| Assets:                              |                |                                   |                    |         |         |          |
| Loans                                | \$ 78,011,106  | Discounted cash flow              | Discount rate      | 10.51 % | 19.36 % | 14.49 %  |
| Loans through participation interest | 42,269,242     | Discounted cash flow              | Discount rate      | 15.25 % | 16.61 % | 16.38 %  |
| Total Level 3 Assets                 | \$ 120,280,348 |                                   |                    |         |         |          |

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.

## Notes to Unaudited Consolidated Financial Statements

Changes in the Company's Level 3 investments for the six months ended June 30, 2022 were as follows:

|                                                                                                                                                                     | Six Months Ended June 30, 2022 (Predecessor Basis) |                                   |                           |                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------|---------------------------|-----------------------------------------------------|
|                                                                                                                                                                     | Loans                                              | Loans<br>Through<br>Participation | Total Loan<br>Investments | Obligations<br>under<br>Participation<br>Agreements |
| Balance as of January 1, 2022                                                                                                                                       | \$ 61,281,259                                      | \$ 48,349,374                     | \$ 109,630,633            | \$ 4,883,877                                        |
| Purchases of investments                                                                                                                                            | 27,800,788                                         | 17,705,827                        | 45,506,615                | —                                                   |
| Repayments of investments                                                                                                                                           | (15,000,000)                                       | (19,844,508)                      | (34,844,508)              | —                                                   |
| Net change in unrealized (depreciation) appreciation on investments                                                                                                 | (257,777)                                          | 96,626                            | (161,151)                 | —                                                   |
| Amortization and accretion of investment-related fees, net                                                                                                          | 422,449                                            | 135,505                           | 557,954                   | 31,378                                              |
| Proceeds from obligations under participation agreements                                                                                                            | —                                                  | —                                 | —                         | 959,293                                             |
| Net change in unrealized depreciation on obligations under participation agreements                                                                                 | —                                                  | —                                 | —                         | (26,940)                                            |
| Balance as of June 30, 2022                                                                                                                                         | <u>\$ 74,246,719</u>                               | <u>\$ 46,442,824</u>              | <u>\$ 120,689,543</u>     | <u>\$ 5,847,608</u>                                 |
| Net change in unrealized appreciation or depreciation for the period relating to those Level 3 assets that were still held by the Company at the end of the period: |                                                    |                                   |                           |                                                     |
| Net change in unrealized depreciation or appreciation on loan investments and obligations under participation agreements                                            | \$ (54,826)                                        | \$ 96,625                         | \$ 41,799                 | \$ (26,940)                                         |

Transfers between levels, if any, are recognized at the beginning of the period in which transfers occur. For the six months ended June 30, 2022, there were no transfers.

### Note 5. Related Party Transactions

Terra BDC entered into various agreements with Terra Income Advisors whereby Terra BDC paid and reimbursed Terra Income Advisors for certain fees and expenses. Additionally, Terra BDC paid Terra Capital Markets certain fees for providing certain administrative support services. In connection with the Merger, the Investment Advisory Agreement was terminated and the Company no longer pays or reimburses the following fees. Such fees are now payable by Terra REIT pursuant to its management agreement with its manager. Terra LLC and Terra REIT have entered into the Cost Sharing Agreement pursuant to which Terra LLC is responsible for its allocable share of Terra REIT's expenses, including fees paid by Terra REIT to its manager.

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

|                                                           | Three Months Ended June 30, |                     | Six Months Ended June 30, |                     |
|-----------------------------------------------------------|-----------------------------|---------------------|---------------------------|---------------------|
|                                                           | 2023 <sup>(1)</sup>         | 2022                | 2023 <sup>(1)</sup>       | 2022                |
|                                                           | (Successor Basis)           | (Predecessor Basis) | (Successor Basis)         | (Predecessor Basis) |
| <b>Amounts Included in the Statements of Operations</b>   |                             |                     |                           |                     |
| Base management fees                                      | \$ 428,883                  | \$ 670,327          | \$ 863,433                | \$ 1,292,145        |
| Incentive fees on capital gains <sup>(2)</sup>            | N/A                         | (158,315)           | N/A                       | (33,674)            |
| Operating expense reimbursement to Adviser <sup>(3)</sup> | 406,480                     | 316,859             | 712,360                   | 617,049             |
| Origination, extension and disposition fees               | 126,754                     | N/A                 | 317,752                   | N/A                 |

(1) These fees were incurred pursuant to the Cost Sharing Agreement between Terra LLC and Terra REIT.

(2) For the three and six months ended June 30, 2022, the Company reversed previously accrued incentive fees on capital gains of \$158,315 and \$33,674, respectively. Incentive fees on capital gains were based on 20.0% of net realized and unrealized capital gains. No incentive fees on capital gains were actually payable by the Company with respect to unrealized gains unless and until those gains were realized.

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

## ***Merger***

On October 1, 2022, pursuant to the terms of the Merger Agreement, Terra BDC merged with and into Terra LLC, with Terra LLC continuing as the surviving entity of the Merger. Immediately following the Merger, Terra LLC remained a wholly owned subsidiary of Terra REIT. The Certificate of Merger and Articles of Merger with respect to the Merger were filed with the Secretary of State of the State of Delaware and State Department of Assessments and Taxation of Maryland, respectively, with an effective time and date of 12:02 a.m., Eastern Time, on October 1, 2022 (the “Effective Time”). Effective immediately following the Merger, Terra LLC changed its name to “Terra Income Fund 6, LLC.”

At the Effective Time, except for any shares of common stock, par value \$0.001 per share, of Terra BDC (“Terra BDC Common Stock”) held by Terra REIT or any wholly owned subsidiary of Terra REIT or Terra BDC, which shares were automatically retired and ceased to exist with no consideration paid therefor, each issued and outstanding share of Terra BDC Common Stock was automatically cancelled and retired and converted into the right to receive (i) 0.595 shares of the newly designated Class B Common Stock, par value \$0.01 per share, of Terra REIT (“Class B Common Stock”) and (ii) cash, without interest, in lieu of any fractional shares of Class B Common Stock otherwise issuable in an amount, rounded to the nearest whole cent, determined by multiplying (x) the fraction of a share of Class B Common Stock to which such holder would otherwise be entitled by (y) \$14.38.

Pursuant to the terms of the transactions described in the Merger Agreement, 4,847,910 shares of Class B Common Stock were issued to former Terra BDC stockholders in connection with the Merger. Following the consummation of the Merger, former Terra BDC stockholders own approximately 19.9% of the common equity of Terra REIT as the combined company. In connection with the Merger, the Company incurred transaction costs totaling \$1.5 million for the year ended December 31, 2022.

In connection with the Merger, Terra LLC assumed the obligations of Terra BDC under the indenture and supplemental indentures between Terra BDC and the Trustee as well as the Credit Agreement with Eagle Point ([Note 6](#)). Additionally, the Investment Advisory Agreement between Terra BDC and the Adviser and the Servicing Plan (as defined below) were terminated and fees pursuant to such agreements are no longer payable. These advisory/management fees are now payable by the Company’s parent, Terra REIT, to its manager pursuant to the management agreement with its manager.

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

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

The incentive fee consisted of two parts. The first part, which was referred to as the subordinated incentive fee on income, was calculated and payable quarterly in arrears based upon Terra BDC’s “pre-incentive fee net investment income” for the immediately preceding quarter. The subordinated incentive fee on income was 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” meant 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 Terra BDC received from portfolio companies) accrued during the calendar quarter, minus Terra BDC’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 did 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 was as follows:

- No incentive fee was payable to Terra Income Advisors in any calendar quarter in which Terra BDC's pre-incentive fee net investment income does not exceed the hurdle rate of 2.0% (8.0% annualized);
- 100% of Terra BDC's pre-incentive fee net investment income, if any, that exceeded the hurdle rate but was less than or equal to 2.5% in any calendar quarter (10.0% annualized) was 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%) was referred to as the "catch-up."

## Notes to Unaudited Consolidated Financial Statements

The catch-up provision was intended to provide Terra Income Advisors with an incentive fee of 20.0% on all of Terra BDC's pre-incentive fee net investment income when Terra BDC's pre-incentive fee net investment income reaches 2.5% in any calendar quarter; and

- 20.0% of the amount of Terra BDC's pre-incentive fee net investment income, if any, that exceeded 2.5% in any calendar quarter (10.0% annualized) was payable to Terra Income Advisors once the hurdle rate was reached and the catch-up was achieved.

The second part of the incentive fee, which was referred to as the incentive fee on capital gains, was an incentive fee on capital gains earned on liquidated investments from the portfolio and was determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). This fee equaled 20.0% of Terra BDC's incentive fee on capital gains, which equaled 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, Terra BDC accrued (but did not pay) for the unrealized capital gains incentive fee by calculating such fee as if it were due and payable as of the end of such period.

In connection with the Merger, the Investment Advisory Agreement was terminated and the Company no longer pays management and incentive fees to the Adviser. Such fees are now payable by Terra REIT pursuant to its management agreement with the REIT Manager. Terra REIT charges the Company for its allocable share of the management fees through the Cost Sharing Agreement.

### ***Operating Expenses***

Terra BDC reimbursed Terra Income Advisors for operating expenses incurred in connection with administrative services provided to Terra BDC, including compensation to administrative personnel. Terra BDC did not reimburse Terra Income Advisors for personnel costs in connection with services for which Terra Income Advisors receives a separate fee. In addition, Terra BDC did 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. In connection with the Merger, the Company no longer reimburses Terra Income Advisors for operating expenses incurred in connection with administrative services provided to the Company. Such expenses are now reimbursable by Terra REIT to the REIT Manager pursuant to its management agreement with the REIT manager. Terra REIT charges the Company for its allocable share of the operating expense reimbursement through the Cost Sharing Agreement.

### ***Servicing Plan***

Terra BDC Board adopted the servicing plan (the "Servicing Plan") pursuant to which Terra BDC paid selected dealers a servicing fee to up 0.75% of the most recently published NAV per share in exchange for providing certain administrative support services. With respect to each share sold, excluding shares sold through the DRIP, the servicing fee was payable annually on the anniversary of the applicable month of purchase. In connection with the Merger, the Servicing Plan was terminated.

### ***Cost Sharing Agreement***

On November 8, 2022, the Company entered into the Cost Sharing Agreement with Terra REIT effective October 1, 2022, pursuant to which the Company reimburses Terra REIT for its allocable portion of management and transaction fees and operating expenses incurred by Terra REIT, including fees paid by Terra REIT to the REIT Manager.

### ***Terra REIT's Management Agreement with Terra REIT Advisors***

Terra REIT is the Company's parent and sole managing member. The Company has entered into a cost sharing arrangement with Terra REIT pursuant to which the Company is responsible for its allocable share of Terra REIT's expenses, including fees paid by

Terra REIT to its manager, Terra REIT Advisors. Terra REIT currently pays the following fees to Terra REIT Advisors pursuant to the Management Agreement:

*Origination and Extension Fee.* An origination fee in the amount of 1.0% of the amount used to originate, acquire, fund or structure real estate-related investments, including any third-party expenses related to such loan. In the event that the term of any real estate-related loan is extended, Terra REIT Advisors also receives an origination fee equal to the lesser of (i) 1.0% of

## Notes to Unaudited Consolidated Financial Statements

the principal amount of the loan being extended or (ii) the amount of fee paid by the borrower in connection with such extension.

*Asset Management Fee.* A monthly asset management fee at an annual rate equal to 1.0% of the aggregate funds under management, which includes the loan origination amount or aggregate gross acquisition cost, as applicable, for each real estate-related loan and cash held by Terra REIT.

*Asset Servicing Fee.* A monthly asset servicing fee at an annual rate equal to 0.25% of the aggregate gross origination price or aggregate gross acquisition price for each real estate related loan then held by Terra REIT (inclusive of closing costs and expenses).

*Disposition Fee.* A disposition fee in the amount of 1.0% of the gross sale price received by Terra REIT from the disposition of each loan, but not upon the maturity, prepayment, workout, modification or extension of a loan unless there is a corresponding fee paid by the borrower, in which case the disposition fee will be the lesser of (i) 1.0% of the principal amount of the loan and ii) the amount of the fee paid by the borrower in connection with such transaction. If Terra REIT takes ownership of a property as a result of a workout or foreclosure of a loan, Terra REIT will pay a disposition fee upon the sale of such property equal to 1.0% of the sales price.

*Transaction Breakup Fee.* In the event that Terra REIT receive any “breakup fees,” “busted-deal fees,” termination fees, or similar fees or liquidated damages from a third-party in connection with the termination or non-consummation of any loan or disposition transaction, Terra REIT Advisors will be entitled to receive one-half of such amounts, in addition to the reimbursement of all out-of-pocket fees and expenses incurred by Terra REIT Advisors with respect to its evaluation and pursuit of such transactions.

In addition to the fees described above, Terra REIT reimburses Terra REIT Advisors for operating expenses incurred in connection with services provided to the operations of Terra REIT, including its allocable share of Terra REIT Advisors’ overhead, such as rent, employee costs, utilities, and technology costs.

### **Participation Agreements**

The Company may enter into participation agreements with related and unrelated parties, primarily other affiliated funds of Terra REIT 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.

*Participation interest purchased by the Company:* The below tables list the investment interests purchased by the Company via participation agreements (each, a “PA”) as of June 30, 2023 and December 31, 2022. 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 paid related expenses (*i.e.*, the base management fee) directly to Terra Income Advisors prior to the Merger and to Terra REIT after the Merger.

## Notes to Unaudited Consolidated Financial Statements

|                                                      | June 30, 2023           |                   |                | December 31, 2022       |                   |                |
|------------------------------------------------------|-------------------------|-------------------|----------------|-------------------------|-------------------|----------------|
|                                                      | (Successor Basis)       |                   |                |                         |                   |                |
|                                                      | Participating Interests | Principal Balance | Carrying Value | Participating Interests | Principal Balance | Carrying Value |
| 370 Lex Part Deux, LLC <sup>(1)</sup>                | 35.0 %                  | \$ 23,704,377     | \$ 23,704,380  | 35.0 %                  | \$ 23,655,377     | \$ 23,655,377  |
| RS JZ Driggs, LLC <sup>(1)</sup>                     | 50.0 %                  | 2,678,576         | 2,678,576      | 50.0 %                  | 2,499,671         | 2,499,671      |
| William A. Shopoff & Cindy I. Shopoff <sup>(2)</sup> | — %                     | —                 | —              | 66.7 %                  | 16,664,376        | 16,797,348     |
| Havemeyer TSM LLC <sup>(2)(3)</sup>                  | — %                     | —                 | —              | 23.0 %                  | 3,282,208         | 3,315,030      |
| Allowance for credit losses                          |                         | —                 | (3,937,050)    |                         | —                 | (3,937,050)    |
| Total                                                |                         | \$ 26,382,953     | \$ 22,445,906  |                         | \$ 46,101,632     | \$ 42,330,376  |

(1) The loan is held in the name of Terra REIT, the Company's parent entity.

(2) This loan was repaid in the first quarter of 2023.

(3) The loan was held in the name of Mavik Real Estate Special Opportunities Fund REIT, LLC.

### Co-investment

As a BDC, Terra BDC was subject to certain regulatory restrictions in making its investments. For example, Terra BDC may have been 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 granted Terra BDC 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 REIT 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, Terra BDC was prohibited from engaging in certain transactions with its affiliates even under the terms of this exemptive order. Terra LLC is not subject to any such regulatory restrictions in making its investments.

## Note 6. Debt

### Senior Unsecured Notes

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

On October 1, 2022 in connection with the Merger, Terra BDC, Terra LLC and U.S. Bank National Association entered into a second supplemental indenture pursuant to which Terra LLC assumed the payment of the notes and the performance of every covenant of the indenture, to be performed or observed by Terra BDC.

The indenture between Terra LLC (as successor to Terra BDC) and the trustee contains certain debt limitations and asset coverage covenants. As of June 30, 2023 and December 31, 2022, the Company was in compliance with the asset coverage ratio requirements under the indenture.

## Notes to Unaudited Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022, the components of interest expense were as follows:

|                                                  | Three Months Ended June 30, |                     | Six Months Ended June 30, |                     |
|--------------------------------------------------|-----------------------------|---------------------|---------------------------|---------------------|
|                                                  | 2023                        | 2022                | 2023                      | 2022                |
|                                                  | (Successor Basis)           | (Predecessor Basis) | (Successor Basis)         | (Predecessor Basis) |
| Stated interest expense                          | \$ 671,563                  | \$ 671,562          | \$ 1,343,125              | \$ 1,343,124        |
| Amortization of issue discount                   | —                           | 51,921              | —                         | 102,771             |
| Amortization of financing costs                  | —                           | 43,016              | —                         | 85,143              |
| Amortization of purchase discount <sup>(1)</sup> | 288,486                     | —                   | 569,073                   | —                   |
| <b>Total interest expense</b>                    | <b>\$ 960,049</b>           | <b>\$ 766,499</b>   | <b>\$ 1,912,198</b>       | <b>\$ 1,531,038</b> |
| Weighted average debt outstanding                | \$ 38,375,000               | \$ 38,375,000       | \$ 38,375,000             | \$ 38,375,000       |
| Cash paid for interest expense                   | \$ 671,563                  | \$ 671,562          | \$ 1,343,125              | \$ 1,343,124        |
| Stated interest rate                             | 7.00 %                      | 7.00 %              | 7.00 %                    | 7.00 %              |
| Effective interest rate <sup>(2)</sup>           | 7.00 %                      | 7.63 %              | 7.00 %                    | 7.63 %              |

(1) The purchase discount was recorded in connection with the Merger ([Note 5](#))

(2) The effective interest rate of the debt component is equal to the stated interest rate plus the amortization of issue discount, if any.

### Term Loan

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

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

In connection with entering into the Credit Agreement, Terra BDC incurred deferred financing costs totaling \$0.3 million, to be amortized to interest expense over the term of the Term Loan. On August 31, 2021, Terra BDC made an initial draw on the Term Loan of \$5.0 million and incurred an upfront fee of \$0.6 million, which was deducted from proceeds from borrowings under the Term Loan. The discount is amortized to interest expense over the term of the Term Loan. During 2022, Terra BDC drew down an additional \$20.0 million on the Term loan.

Terra BDC could prepay any Loan, in whole or in part, together with all accrued but unpaid interest thereon, upon at least 30 but not more than 60 days’ prior notice to the Agent. If Terra BDC elected to make such prepayments prior to October 9, 2023, Terra BDC would also be required to pay a make whole premium, being the present value at such date of (1) the principal amount being prepaid of such



Loan, plus (2) all remaining required interest payments due on the principal amount being prepaid of such Loan through the maturity date (excluding accrued but unpaid interest to the date on which the make whole premium becomes owed), computed using a discount rate equal to the applicable U.S. Treasury rate (as set forth in the Credit Agreement) plus 50 basis points, over (B) the principal amount being prepaid of such Loan; provided that the make whole premium may in no event be less than zero.

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

## Notes to Unaudited Consolidated Financial Statements

The Credit Agreement contains customary representations, warranties, reporting requirements, borrowing conditions and affirmative, negative and financial covenants, including REIT status requirements and minimum asset coverage ratio requirements. As of June 30, 2023 and December 31, 2022, the Company was in compliance with these covenants. The Credit Agreement also includes usual and customary events of default and remedies for credit agreements of this nature. Events of default under the Credit Agreement include, but are not limited to: (i) the failure by Terra BDC to make any payments when due under the Credit Agreement; (ii) the failure of Terra BDC to perform or observe any term, covenant or agreement under the Credit Agreement or any other loan document, subject to applicable cure periods; (iii) an event of default on other material indebtedness of Terra BDC; (iv) the bankruptcy or insolvency of Terra BDC; and (v) judgments and attachments, with customary limits and grace periods, against Terra BDC or its property. In addition, the Loans are subject to mandatory prepayment, at the option of each Lender, upon a change in control of Terra BDC (as defined by the Credit Agreement).

On September 27, 2022, Terra BDC, Terra LLC and Eagle Point and the Lenders entered into a Consent Letter and Amendment (the “Credit Facility Amendment”) effective October 1, 2022. Pursuant to the Credit Facility Amendment, (i) Eagle Point and the Lenders consented to the consummation of the Merger and the assumption by Terra LLC of all of the obligations of Terra BDC under the Credit Agreement, (ii) and the Credit Agreement was amended to, among other things, change the scheduled maturity date to July 1, 2023, and remove the make whole premium on voluntary prepayments of the loans.

On June 30, 2023, the Company, Eagle Point and the Lenders entered into an amendment to the Credit Agreement, pursuant to which the Credit Agreement was amended to, among other things, (i) extend the scheduled maturity date to March 31, 2024, and (ii) increase the rate on which the Term Loan bears interest from a fixed rate of 5.625% per annum to a floating rate based on SOFR plus 7.375% with a SOFR floor of 5.0%. In connection with the amendment, the Company paid Eagle Point an amendment fee of \$150,000, to be amortized to interest expense over the remaining term of the Term Loan. Additionally, the Company made a repayment of \$10.0 million on the Term Loan. As of June 30, 2023 and December 31, 2022, the principal amount outstanding under the Term Loan was \$15.0 million and \$25.0 million, respectively.

For the three and six months ended June 30, 2023 and 2022, the components of interest expense were as follows:

|                                        | Three Months Ended June 30, |                     | Six Months Ended June 30, |                     |
|----------------------------------------|-----------------------------|---------------------|---------------------------|---------------------|
|                                        | 2023                        | 2022                | 2023                      | 2022                |
|                                        | (Successor Basis)           | (Predecessor Basis) | (Successor Basis)         | (Predecessor Basis) |
| Stated interest expense                | \$ 355,468                  | \$ 353,750          | \$ 707,031                | \$ 550,078          |
| Amortization of issue discount         | —                           | 38,829              | —                         | 75,581              |
| Amortization of financing costs        | —                           | 17,969              | —                         | 35,695              |
| Unused fee                             | —                           | 229                 | —                         | 20,927              |
| <b>Total interest expense</b>          | <b>\$ 355,468</b>           | <b>\$ 410,777</b>   | <b>\$ 707,031</b>         | <b>\$ 682,281</b>   |
| Weighted average debt outstanding      | \$ 24,890,110               | \$ 24,879,121       | \$ 24,944,751             | \$ 19,555,249       |
| Cash paid for interest expense         | \$ 355,468                  | \$ 353,979          | \$ 707,031                | \$ 571,005          |
| Stated interest rate                   | 5.625 %                     | 5.625 %             | 5.625 %                   | 5.625 %             |
| Effective interest rate <sup>(1)</sup> | 5.625 %                     | 6.25 %              | 5.625 %                   | 6.25 %              |

- (1) The effective interest rate of the debt component is equal to the stated interest rate plus the amortization of issue discount and fees paid to the lender, if any.



***Scheduled Debt Principal Payments***

Scheduled debt principal payments for each of the five calendar years following June 30, 2023 are as follows:

| <b>Years Ending December 31,</b>  | <b>Total</b>                     |
|-----------------------------------|----------------------------------|
| 2023 (July 1 through December 31) | \$ —                             |
| 2024                              | 15,000,000                       |
| 2025                              | —                                |
| 2026                              | 38,375,000                       |
| 2027                              | —                                |
| Thereafter                        | —                                |
|                                   | <hr/> 53,375,000                 |
| Unamortized discount, net         | (3,913,023)                      |
| <b>Total</b>                      | <hr/> <b>\$ 49,461,977</b> <hr/> |

**Note 7. Commitments and Contingencies*****Funding Commitments***

In the ordinary course of business, the Company may enter into future funding commitments, which are subject to the borrower meeting certain performance-related metrics that are monitored by the Company. As of June 30, 2023 and December 31, 2022, the Company had \$1.8 million and \$5.9 million of unfunded commitments, respectively. The Company maintained sufficient cash on hand to fund such unfunded commitments, including matching these commitments with principal repayments on outstanding loans.

***Other***

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

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

See [Note 5](#). "Related Party Transactions", for a discussion of the Company's commitments to Terra Income Advisors.

**Note 8. Income Taxes**

Terra BDC 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, Terra BDC was required, among other things, to distribute dividends equal to at least 90% of its REIT net taxable income to the stockholders annually and meet certain tests regarding the nature of its income and assets. Because federal income tax regulations differ from U.S. GAAP, distributions in accordance with tax regulations may differ from net investment for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are

reclassified among capital accounts in the consolidated financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

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

## Notes to Unaudited Consolidated Financial Statements

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

|                                                                                     | Six Months Ended June<br>30, 2022 |
|-------------------------------------------------------------------------------------|-----------------------------------|
|                                                                                     | (Predecessor Basis)               |
| Net increase in net assets resulting from operations                                | \$ 1,022,972                      |
| Net change in unrealized appreciation on investments                                | 251,088                           |
| Net change in unrealized depreciation on obligations under participation agreements | (26,940)                          |
| Income tax expense                                                                  | 496,658                           |
| Reversal of incentive fees on capital gains                                         | (33,674)                          |
| Other temporary differences <sup>(1)</sup>                                          | (260,361)                         |
| Total taxable income <sup>(2)</sup>                                                 | \$ 1,449,743                      |

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

(2) Amount included \$1.3 million of taxable income attributable to the TRS described below.

### Taxable REIT Subsidiary

Terra BDC held certain portfolio company investments through consolidated taxable REIT subsidiaries, of which it was the parent. Such subsidiaries may be subject to U.S. federal and state corporate-level income taxes. These consolidated subsidiaries recognize deferred tax assets and liabilities for the estimated future tax effects attributable to temporary differences between the tax basis of certain assets and liabilities and the reported amounts included in the accompanying consolidated statements of assets and liabilities using the applicable statutory tax rates in effect for the year in which any such temporary differences are expected to reverse. Terra BDC had one TRS prior to the Merger. In connection with the Merger on October 1, 2022, the TRS became a qualified REIT subsidiary of Terra LLC.

For the three and six months ended June 30, 2022, pre-tax income attributable to the TRS was \$0.2 million and \$1.6 million. Based on the effective income tax rate of 29.4% and 30.3%, the provision for income tax for the TRS was \$0.1 million and \$0.5 million, respectively. Additionally, for the three and six months ended June 30, 2022, the Company had temporary differences between the tax basis and book basis of certain assets and liabilities totaling \$0.5 million and \$0.1 million, resulting in a deferred tax asset, net of a deferred tax liability, and corresponding deferred income tax benefit of \$0.1 million and \$0.02 million, respectively. The Company has not provided a valuation allowance for the deferred tax asset because the Company expects the deferred tax asset to be realized in future periods.

### Source of Distribution

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

| Source of Distribution               | Six Months Ended June 30, 2022        |                |
|--------------------------------------|---------------------------------------|----------------|
|                                      | (Predecessor Basis)                   |                |
|                                      | Distribution<br>Amount <sup>(1)</sup> | %              |
| Return of capital                    | \$ 1,696,398                          | 92.8 %         |
| Net investment income <sup>(2)</sup> | 130,807                               | 7.2 %          |
| Distributions on a tax basis:        | <u>\$ 1,827,205</u>                   | <u>100.0 %</u> |

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

(2) The TRS's taxable income was not available for distribution to Terra BDC's stockholders until the income was distributed to the parent company. For the six months ended June 30, 2022, the TRS made a distribution of \$0.4 million to the parent company.

As of June 30, 2022, Terra BDC did not have differences between amortized cost basis and tax basis cost of investments.

**Note 9. Directors' Fees**

Terra BDC's directors who did not serve in an executive officer capacity for Terra BDC or Terra Income Advisors were 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 received 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 received 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, received an annual fee of \$2,500 for their additional services. In connection with the Merger on October 1, 2022, Terra BDC's directors were elected to the Terra REIT Board to fill the vacancies created by the Merger and Terra REIT will pay the fees to directors directly. For the three and six months ended June 30, 2022, Terra BDC recorded \$27,126 and \$57,252 of directors' fees expense.

Terra BDC also reimbursed each of the above directors for all reasonable and authorized business expenses in accordance with Terra BDC 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.

Terra BDC did not pay compensation to the directors who also served in an executive officer capacity for Terra BDC or Terra Income Advisors.

**Note 10. Capital**

As of June 30, 2023 and December 31, 2022, all of the limited liability company interest in Terra LLC was held by Terra REIT.

**Share Repurchase Program**

Terra BDC implemented a share repurchase program whereby every quarter Terra BDC offered 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 was to provide stockholders with liquidity, because there was otherwise no public market for Terra BDC's common stock. The Terra BDC Board was permitted to amend, suspend or terminate the share repurchase program upon 30 days' notice. On March 30, 2022, the Terra BDC Board unanimously approved the suspension of the operation of the share repurchase program, effective as of April 30, 2022.

There were no shares repurchased for the six months ended June 30, 2022.

**Note 11. 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.

The following information sets forth the computation of the weighted average net increase in net assets per share from operations:

|                                                                           | Three Months Ended<br>June 30, 2022 | Six Months Ended June<br>30, 2022 |
|---------------------------------------------------------------------------|-------------------------------------|-----------------------------------|
| Basic                                                                     | (Predecessor Basis)                 |                                   |
| Net (decrease) increase in net assets resulting from operations           | \$ (512,270)                        | \$ 1,022,972                      |
| Weighted average common shares outstanding                                | 8,110,168                           | 8,098,531                         |
| Net (decrease) increase in net assets per share resulting from operations | \$ (0.06)                           | \$ 0.13                           |



**Note 12. 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.

## Notes to Unaudited Consolidated Financial Statements

Subsequent to the Merger on October 1, 2022, Terra LLC has not made a distribution to Terra REIT. The following table reflects Terra BDC's distributions for the six months ended June 30, 2022:

| Record Date       | Payment Date      | Per Share<br>Per Day | Distributions<br>Paid in Cash | Distributions<br>Paid through<br>the DRIP | Total<br>Distributions<br>Paid/Accrued |
|-------------------|-------------------|----------------------|-------------------------------|-------------------------------------------|----------------------------------------|
| January 26, 2022  | January 31, 2022  | \$ 0.001247          | \$ 238,677                    | \$ 73,512                                 | \$ 312,189                             |
| February 23, 2022 | February 28, 2022 | 0.001247             | 216,361                       | 65,899                                    | 282,260                                |
| March 28, 2022    | March 31, 2022    | 0.001247             | 240,331                       | 72,452                                    | 312,783                                |
| April 27, 2022    | April 30, 2022    | 0.001247             | 233,306                       | 69,693                                    | 302,999                                |
| May 26, 2022      | May 29, 2022      | 0.001247             | 240,446                       | 72,948                                    | 313,394                                |
| June 25, 2022     | June 30, 2022     | 0.001247             | 232,797                       | 70,783                                    | 303,580                                |
|                   |                   |                      | <u>\$ 1,401,918</u>           | <u>\$ 425,287</u>                         | <u>\$ 1,827,205</u>                    |

### Note 13. Financial Highlights

The following is a schedule of financial highlights for Terra BDC:

|                                                                                                    | Six Months Ended June<br>30, 2022<br>(Predecessor Basis) |
|----------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <b>Per share data:</b>                                                                             |                                                          |
| Net asset value at beginning of period                                                             | \$ 9.11                                                  |
| Results of operations <sup>(1)</sup> :                                                             |                                                          |
| Net investment income                                                                              | 0.15                                                     |
| Net change in unrealized depreciation on investments                                               | (0.03)                                                   |
| Net change in unrealized depreciation on obligations under participation agreements <sup>(2)</sup> | —                                                        |
| Net realized gain on investments                                                                   | 0.01                                                     |
| Net increase in net assets resulting from operations                                               | 0.13                                                     |
| Stockholder distributions <sup>(3)</sup> :                                                         |                                                          |
| Distributions from return of capital                                                               | (0.21)                                                   |
| Distributions from net investment income                                                           | (0.02)                                                   |
| Net decrease in net assets resulting from stockholder distributions                                | (0.23)                                                   |
| Net asset value, end of period                                                                     | \$ 9.01                                                  |
| Shares outstanding at end of period                                                                | 8,125,458                                                |
| Total return <sup>(4)</sup>                                                                        | 1.38 %                                                   |

**Ratio/Supplemental data:**

|                                                                          |    |            |
|--------------------------------------------------------------------------|----|------------|
| Net assets, end of period                                                | \$ | 73,207,698 |
| Ratio of net investment income to average net assets <sup>(5)</sup>      |    | 4.79 %     |
| Ratio of operating expenses to average net assets <sup>(5) (6) (7)</sup> |    | 17.70 %    |
| Portfolio turnover                                                       |    | 29.08 %    |

- 
- (1) The per share data was derived by using the weighted average shares outstanding during the applicable period.
- (2) The impact on net asset value was approximately \$0.003.
- (3) The per share data for distributions reflects the actual amount of distributions declared per share during the applicable period.
- (4) 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.
- (5) These ratios are calculated using annualized net investment income and operating expenses.

- (6) Excluding accrued incentive fees on capital gains, the ratio of operating expenses to average net assets was 16.19%,
- (7) Excluding accrued incentive fees on capital gains, transaction costs and interest expense on debt, the ratio of operating expenses to average net assets was 9.42%.

**Note 13. Subsequent Events**

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

## 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 consolidated 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. prior to the Merger (as defined below) and its successor, Terra Income Fund 6, LLC, after the Merger.

### 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 expected financial performance and operating results;
- our ability to achieve the expected synergies, cost savings and other benefits from the Merger;
- risks associated with achieving expected synergies, cost savings and other benefits from the Merger;
- the availability of attractive risk-adjusted investment opportunities in our target asset class and other real estate-related investments that satisfy our objectives and strategies;
- the origination or acquisition of our targeted assets, including the timing of originations or acquisitions;
- volatility in our industry, interest rates and spreads, the debt or equity markets, the general economy or the real estate market specifically, whether the results of market events or otherwise;
- changes in our investment objectives and business strategy;
- the availability of financing on acceptable terms or at all;
- the performance and financial condition of our borrowers;
- changes in interest rates and the market value of our assets;
- borrower defaults or decreased recovery rates from our borrowers;
- changes in prepayment rates on our loans;
- our use of financial leverage;
- actual and potential conflicts of interest with any of the following affiliated entities: Terra Income Fund 6, Inc. ("Terra BDC"); Terra Income Fund 6 LLC ("Terra LLC"), a wholly owned subsidiary of Terra Property Trust, Inc. ("Terra REIT") and the successor of Terra BDC; Terra Income Advisors, LLC ("Terra Income Advisors"), the investment adviser to Terra BDC prior to the Merger; Terra Capital Partners, LLC ("Terra Capital Partners"), our sponsor; Terra REIT Advisors, LLC, a subsidiary of Terra Capital Partners, and the external manager to our sole member Terra REIT ("Terra REIT Advisors"); Terra Fund Advisors, LLC, an affiliate of Terra Capital Partners; Terra JV, LLC, Terra Secured Income Fund 5, LLC, Terra Secured Income Fund 5 International, Terra Income Fund International and Terra Secured Income Fund 7, LLC, (collectively, the "Terra Income Funds"); Terra Offshore Funds REIT, LLC; Mavik Real Estate Special Opportunities Fund, LP; or any of their affiliates;
- our dependence on Terra REIT Advisors or its affiliates and the availability of its senior management team and other personnel;
- actions and initiatives of the U.S., federal, state and local government and changes to the U.S. federal, state and local government policies and the execution and impact of these actions, initiatives and policies;

- the degree and nature of our competition.

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

Terra LLC was formed as a Delaware limited liability company on April 29, 2022 as a wholly owned subsidiary of Terra REIT. On October 1, 2022, pursuant to an Agreement and Plan of Merger, dated as of May 2, 2022 (as amended, the “Merger Agreement”), Terra BDC merged with and into Terra LLC, with Terra LLC continuing as the surviving entity of the merger (the “Merger”). Subsequent to the Merger, Terra LLC became the successor of Terra BDC and assumed all of Terra BDC’s rights and obligations. The former members of the Terra BDC’s board of directors (the “Terra BDC Board”) joined the board of directors of Terra REIT. Terra LLC does not have a board of directors and Terra REIT is the sole and managing member of Terra LLC.

Prior to the Merger, Terra BDC was an investment company, as defined under United States generally accepted accounting principles (“U.S. GAAP”), and applied accounting and reporting guidance in accordance with the Financial Accounting Standards Board Accounting Standard Codification (“ASC”) Topic 946, *Financial Services — Investment Companies* (the “Predecessor Basis”). Terra LLC does not meet the requirements to be classified as an investment company, and as such, it is an operating company and reports its investments at historical cost (the “Successor Basis”).

Terra BDC was incorporated under the general corporation laws of the State of Maryland on May 15, 2013 and commenced operations on June 24, 2015. Terra BDC was an externally managed, non-diversified, closed-end management investment company that elected to be regulated as a business development company under the Investment Company Act of 1940, as amended (the “1940 Act”). Terra BDC elected to be taxed as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”) during the period beginning October 1, 2018 through its short taxable year ended October 1, 2022 (the “REIT Period”) and believed it operated so as to qualify to be taxed as a REIT under Subchapter M of the Code during the REIT Period.

Our investment activities were externally managed by Terra Income Advisors and supervised by the Terra BDC Board, a majority of whom were independent. Under an investment advisory and administrative services agreement between Terra BDC and Terra Income Advisors (the “Investment Advisory Agreement”), we paid Terra Income Advisors an annual base management fee based on our average quarterly gross assets, as well as incentive fees based on our performance. In connection with the Merger, the Investment Advisory Agreement was terminated and we no longer pay any fees to Terra Income Advisors. We were also responsible for future payments of the servicing fee to selected dealers (the “Servicing Plan”). In connection with the Merger, the Servicing Plan was terminated.

Pursuant to the terms of the Merger Agreement, on October 1, 2022, except for any shares of common stock, par value \$0.001 per share, of Terra BDC (“Terra BDC Common Stock”) held by Terra REIT or any wholly owned subsidiary of Terra REIT or Terra BDC, which shares were automatically retired and ceased to exist with no consideration paid therefor, each issued and outstanding share of Terra BDC Common Stock was automatically cancelled and retired and converted into the right to receive (i) 0.595 shares of the newly designated Class B Common Stock, par value \$0.01 per share, of Terra REIT (“Class B Common Stock”) and (ii) cash, without interest,

in lieu of any fractional shares of Class B Common Stock otherwise issuable in an amount, rounded to the nearest whole cent, determined by multiplying (x) the fraction of a share of Class B Common Stock to which such holder would otherwise be entitled by (y) \$14.38.

Pursuant to the terms of the transactions described in the Merger Agreement, 4,847,910 shares of Class B Common Stock were issued to former Terra BDC stockholders in connection with the Merger. Following the consummation of the Merger, former Terra BDC stockholders own approximately 19.9% of the common equity of Terra REIT as the combined company.



In connection with the Merger, Terra LLC assumed the obligations of Terra BDC under the indenture of the unsecured notes payable as well as the credit agreement to provide for a delayed draw term loan of up to \$25.0 million. Additionally, the Investment Advisory Agreement between Terra BDC and Terra Income Advisors and the Servicing Plan were terminated on October 1, 2022 and fees pursuant to such agreements are no longer payable. These advisory fees are now payable by our parent and sole managing member, Terra REIT, to its external manager, Terra REIT Advisors, pursuant to a management agreement, dated as of February 8, 2018, by and between Terra REIT and Terra REIT Advisors. We have entered into a cost sharing agreement with Terra REIT (the “Cost Sharing Agreement”) pursuant to which we are responsible for our allocable share of Terra REIT’s expenses, including fees paid by Terra REIT to its manager. Terra REIT’s investment objective is to provide attractive risk-adjusted returns to its stockholders, primarily through regular distributions. There can be no assurances that Terra REIT will be successful in meeting its investment objective.

## Portfolio Summary

The following table provides a summary of our net loan portfolio as of:

|                                         | June 30, 2023 |                                 |               | December 31, 2022 |                                 |                |
|-----------------------------------------|---------------|---------------------------------|---------------|-------------------|---------------------------------|----------------|
|                                         | Fixed Rate    | Floating Rate <sup>(1)(2)</sup> | Total         | Fixed Rate        | Floating Rate <sup>(1)(2)</sup> | Total          |
| Number of loans                         | 4             | 2                               | 6             | 6                 | 3                               | 9              |
| Principal balance                       | \$ 43,267,842 | \$ 42,271,673                   | \$ 85,539,515 | \$ 61,913,795     | \$ 61,826,028                   | \$ 123,739,823 |
| Carrying value                          | \$ 43,487,381 | \$ 38,320,827                   | \$ 81,808,208 | \$ 62,781,893     | \$ 58,631,133                   | \$ 121,413,026 |
| Fair value                              | \$ 43,273,776 | \$ 39,113,475                   | \$ 82,387,251 | \$ 62,035,611     | \$ 58,244,737                   | \$ 120,280,348 |
| Weighted-average coupon rate            | 13.7%         | 16.4%                           | 15.0%         | 14.1%             | 14.4%                           | 14.2%          |
| Weighted-average remaining term (years) | 0.70          | 0.78                            | 0.71          | 0.86              | 0.77                            | 0.80           |

- (1) These loans pay a coupon rate of London Interbank Offered Rate (“LIBOR”), Secured Overnight Financing Rate (“SOFR”), or forward-looking term rate based on SOFR (“Term SOFR”), as applicable, plus a fixed spread. Coupon rates shown were determined using LIBOR of 5.2% and average SOFR and Term SOFR of 5.1% as of June 30, 2023, and LIBOR of 4.4% and average SOFR of 4.1% as of December 31, 2022.
- (2) As of both June 30, 2023 and December 31, 2022, two and three loans, respectively, were subject to a LIBOR, SOFR or Term SOFR floor, as applicable.

In addition to our loan portfolio, we owned a \$10.0 million mezzanine loan and also participated in residual profit from the sale of the underlying real estate portfolio with the borrower. We accounted for the entire arrangement as equity investment in unconsolidated investment. In May 2023, we made a cash payment of \$27.4 million and settled the \$10.0 million mezzanine loan in exchange for an 80.0% equity interest in a joint venture that owns the real estate portfolio. We account for our equity interest in the joint venture as an equity method investment because we do not have a controlling financial interest in the entity. As of June 30, 2023 and December 31, 2022, equity investment in unconsolidated investment had a carrying value of \$37.0 million and \$10.0 million, respectively.

In the first quarter of 2023, we purchased \$10.0 million of corporate bonds with a coupon rate of 6.125% that matured on May 15, 2023. We classified these bonds as held-to-maturity debt securities, as we had the intent and ability to hold these securities until maturity. These securities were fully redeemed at par on May 15, 2023.

Our portfolio is concentrated in a limited number of industries and borrowers, and, as a result, a downturn in any particular industry or borrower in which we are heavily invested may significantly impact the aggregate returns we realize. If an industry in which we are heavily invested suffers from adverse business or economic conditions, a material portion of our investment could be affected adversely, which, in turn, could adversely affect our financial position and results of operations. For example, as of June 30, 2023, our investments secured by office and infrastructure properties represented approximately 29.0% and 26.3%, respectively, of the carrying value of our total loan investments. In addition, as of June 30, 2023, we held only six loan investments and our largest loan investment represented approximately 29.0% of the carrying value of our total loan investments and our largest three loan investments represented approximately 78.4% of the carrying value of our total loan investments.

## Net Loan Portfolio

In assessing the performance of our loans, we believe it is appropriate to evaluate the loans on an economic basis, that is, gross loans net of obligations under participation agreements. The following table presents a reconciliation of our loan portfolio on a weighted average basis from gross to net:

|                                            | Three Months Ended June 30,                |                                       |                                            |                                    |
|--------------------------------------------|--------------------------------------------|---------------------------------------|--------------------------------------------|------------------------------------|
|                                            | 2023                                       |                                       | 2022                                       |                                    |
|                                            | Successor Basis                            |                                       | Predecessor Basis                          |                                    |
|                                            | Weighted<br>Average<br>Principal<br>Amount | Weighted<br>Average<br>Coupon<br>Rate | Weighted<br>Average<br>Principal<br>Amount | Weighted<br>Average<br>Coupon Rate |
| Gross loan investments                     | \$ 98,043,104                              | 14.7%                                 | \$ 126,930,780                             | 12.7%                              |
| Obligations under participation agreements | —                                          | —%                                    | (5,598,217)                                | 8.3%                               |
| Net loan investments                       | \$ 98,043,104                              | 14.7%                                 | \$ 121,332,563                             | 12.9%                              |

  

|                                            | Six Months Ended June 30,                  |                                       |                                            |                                    |
|--------------------------------------------|--------------------------------------------|---------------------------------------|--------------------------------------------|------------------------------------|
|                                            | 2023                                       |                                       | 2022                                       |                                    |
|                                            | Successor Basis                            |                                       | Predecessor Basis                          |                                    |
|                                            | Weighted<br>Average<br>Principal<br>Amount | Weighted<br>Average<br>Coupon<br>Rate | Weighted<br>Average<br>Principal<br>Amount | Weighted<br>Average<br>Coupon Rate |
| Gross loan investments                     | \$ 104,956,278                             | 14.7%                                 | \$ 80,550,941                              | 12.8%                              |
| Obligations under participation agreements | —                                          | —%                                    | (5,377,179)                                | 8.3%                               |
| Net loan investments                       | \$ 104,956,278                             | 14.7%                                 | \$ 75,173,762                              | 13.1%                              |

## Portfolio Investment Activity

For the three months ended June 30, 2023 and 2022, we invested \$29.0 million and \$4.5 million in new and add-on investments, and had \$31.6 million and \$20.3 million of repayments, resulting in net repayments of \$2.6 million and \$15.8 million, respectively.

For the six months ended June 30, 2023 and 2022, we invested \$41.1 million and \$45.5 million in new and add-on investments, and had \$51.8 million and \$35.7 million of repayments, resulting in net repayments of \$10.7 million and net investments of \$9.8 million, respectively.

## Senior Unsecured Notes

In February 2021, Terra BDC issued \$38.4 million in aggregate principal amount of 7.00% fixed-rate notes due 2026, for net proceeds of \$37.2 million after deducting underwriting commissions of \$1.2 million. Interest on the notes is paid quarterly in arrears every March 30, June 30, September 30 and December 30, at a rate of 7.00% per year, beginning June 30, 2021. The notes mature on March 31, 2026. The notes may be redeemed in whole or in part at any time or from time to time at our option on or after February 10, 2023. On October 1, 2022 in connection with the Merger, Terra BDC, Terra LLC and U.S. Bank National Association entered into a

second supplemental indenture pursuant to which Terra LLC assumed the payment of the notes and the performance of every covenant of the indenture, to be previously performed or observed by Terra BDC.

### **Term Loan**

In April 2021, we entered into a credit agreement (the “Credit Agreement”) with a lender to provide for a delayed draw term loan of \$25.0 million (the “Term Loan”). The Term Loan bore interest at a rate equal to 5.625% and was scheduled to mature on April 9, 2025. On September 27, 2022, the Credit Agreement was amended to change the scheduled maturity date to July 1, 2023 and remove the make whole premium on voluntary prepayment of the loans as well as to provide consent to the consummation of the Merger and the assumption by Terra LLC of all of the obligations of Terra BDC under the Credit Agreement. On June 30, 2023, we amended the Credit Agreement to extend the scheduled maturity date to March 31, 2024 and increase the rate on which the Term Loan bears interest from a fixed rate of 5.625% per annum to a floating rate based on

SOFR plus 7.375% with a SOFR floor of 5.0%. In connection with the amendment, we made a \$10.0 million repayment on the Term Loan. As of June 30, 2023, the Term Loan had an outstanding balance of \$15.0 million.

## Results of Operations

Operating results for the three and six months ended June 30, 2023 (Successor Basis) and three and six months ended June 30, 2022 (Predecessor Basis) were as follows:

|                                                                             | Three Months Ended June<br>30, 2023 | Six Months Ended June<br>30, 2023 |
|-----------------------------------------------------------------------------|-------------------------------------|-----------------------------------|
| <b>Revenues</b>                                                             |                                     |                                   |
| Interest income                                                             | \$ 2,595,328                        | \$ 5,527,232                      |
| Dividend and other income                                                   | 31,900                              | 37,475                            |
|                                                                             | <u>2,627,228</u>                    | <u>5,564,707</u>                  |
| <b>Operating expenses</b>                                                   |                                     |                                   |
| Asset management and asset servicing fees paid to Terra REIT <sup>(1)</sup> | 428,883                             | 863,433                           |
| Operating expense reimbursement to Terra REIT <sup>(1)</sup>                | 406,480                             | 712,360                           |
| Provision (reversal of provision) for credit losses                         | 47,349                              | (67,988)                          |
| Professional fees                                                           | 183,532                             | 466,042                           |
| Insurance expense                                                           | 21,072                              | 83,191                            |
| General and administrative expenses                                         | 14,727                              | 27,387                            |
|                                                                             | <u>1,102,043</u>                    | <u>2,084,425</u>                  |
| <b>Operating income</b>                                                     | <u>1,525,185</u>                    | <u>3,480,282</u>                  |
| <b>Other income and expenses</b>                                            |                                     |                                   |
| Unrealized gain on investments, net                                         | 5,829                               | 5,829                             |
| Realized loss on investments, net                                           | (12,512)                            | (12,512)                          |
| (Loss) income from equity investment in unconsolidated investment           | (124,106)                           | 190,907                           |
| Interest expense on unsecured notes payable                                 | (960,049)                           | (1,912,198)                       |
| Interest expense on term loan                                               | (355,468)                           | (707,031)                         |
|                                                                             | <u>(1,446,306)</u>                  | <u>(2,435,005)</u>                |
| <b>Net income</b>                                                           | <u>\$ 78,879</u>                    | <u>\$ 1,045,277</u>               |

(1) The fees were paid and expenses were reimbursed to Terra REIT pursuant to the Cost Sharing Agreement with Terra REIT.

|                                                                                  | Three Months Ended June<br>30, 2022 | Six Months Ended June<br>30, 2022 |
|----------------------------------------------------------------------------------|-------------------------------------|-----------------------------------|
| <b>Investment income</b>                                                         |                                     |                                   |
| Interest income                                                                  | \$ 4,078,288                        | \$ 8,165,702                      |
| Dividend and other income                                                        | 8,596                               | 56,957                            |
| <b>Total investment income</b>                                                   | <b>4,086,884</b>                    | <b>8,222,659</b>                  |
| <b>Operating expenses</b>                                                        |                                     |                                   |
| Base management fees                                                             | 670,327                             | 1,292,145                         |
| Reversal of incentive fees on capital gains                                      | (158,315)                           | (33,674)                          |
| Operating expense reimbursement to Adviser                                       | 316,859                             | 617,049                           |
| Servicing fees                                                                   | 121,133                             | 240,107                           |
| Interest expense on unsecured notes payable                                      | 766,499                             | 1,531,038                         |
| Professional fees                                                                | 234,104                             | 589,408                           |
| Interest expense from obligations under participation agreements                 | 140,315                             | 261,882                           |
| Interest expense on term loan                                                    | 410,777                             | 682,281                           |
| Directors' fees                                                                  | 27,126                              | 57,252                            |
| Insurance expense                                                                | 61,570                              | 128,722                           |
| Transaction costs                                                                | 1,145,880                           | 1,145,880                         |
| General and administrative expenses                                              | 14,301                              | 22,574                            |
| <b>Total operating expenses</b>                                                  | <b>3,750,576</b>                    | <b>6,534,664</b>                  |
| <b>Net investment income before income taxes</b>                                 | <b>336,308</b>                      | <b>1,687,995</b>                  |
| Income tax expense                                                               | 57,005                              | 496,658                           |
| <b>Net investment income</b>                                                     | <b>279,303</b>                      | <b>1,191,337</b>                  |
| Net change in unrealized depreciation on investments                             | (828,675)                           | (251,088)                         |
| Net change in unrealized depreciation obligations under participation agreements | 14,579                              | 26,940                            |
| Net realized gain on investments                                                 | 22,523                              | 55,783                            |
| <b>Net (decrease) increase in net assets resulting from operations</b>           | <b>\$ (512,270)</b>                 | <b>\$ 1,022,972</b>               |

### ***Interest Income***

For the three and six months ended June 30, 2023, interest income was \$2.6 million and \$5.5 million, respectively, primarily consisting of contractual interest income of \$2.8 million and \$5.9 million and interest income on cash and held-to-maturity securities of \$0.2 million and \$0.4 million, respectively, partially offset by amortization of net purchase discount recognized in connection of the Merger of \$0.4 million and \$0.7 million, respectively. For the three and six months ended June 30, 2022, interest income was \$4.1 million and \$8.2 million, respectively, primarily consisting of contractual interest income of \$3.8 million and \$7.6 million and amortization of transaction fee income of \$0.2 million and \$0.6 million, respectively.

### ***Dividend and Other Income***

For the three and six months ended June 30, 2023, dividend and other income was \$0.03 million and \$0.04 million, respectively, primarily related to dividend income earned on our marketable securities. For the three and six months ended June 30, 2022, dividend and other income was \$0.01 million and \$0.06 million, respectively, primarily related administrative fees earned in connection with servicing our loans.

### ***Base Management Fees***

Under the Investment Advisory Agreement, Terra BDC paid Terra Income Advisors a base management fee, which was calculated at an annual rate of 2.0% of our average gross assets. In connection with the Merger, the Investment Advisory Agreement was terminated and we entered into the Cost Sharing Agreement with Terra REIT.

For the three and six months ended June 30, 2023, we paid asset management and asset servicing fees of \$0.4 million and \$0.9 million, respectively, to Terra REIT pursuant to the Cost Sharing Agreement. For the three and six months ended June 30, 2022, we paid base management fees of \$0.7 million and \$1.3 million, respectively, to Terra Income Advisors pursuant to the Investment Advisory Agreement.

### ***Reversal of Incentive Fees on Capital Gains***

Under the Investment Advisory Agreement, Terra BDC paid Terra Income Advisors an incentive fee on capital gains equaled to 20.0% of our net realized and unrealized capital gains. No incentive fees on capital gains were actually payable by Terra BDC with respect to unrealized gains until those gains were realized. The Investment Advisory Agreement was terminated in connection with the Merger.

For the three and six months ended June 30, 2023, there were no incentive fees on capital gains because the Investment Advisory Agreement was terminated on October 1, 2022. For the three and six months ended June 30, 2022, we reversed previously recorded incentive fees on capital gains of \$0.2 million and \$0.03 million, respectively, as a result of a decline in the value of our investments.

### ***Operating Expense Reimbursement***

Under the Investment Advisory Agreement, Terra BDC reimbursed Terra Income Advisors for operating expenses incurred in connection with administrative services provided to us, including compensation to administrative personnel. In connection with the Merger, the Investment Advisory Agreement was terminated and we entered into the Cost Sharing Agreement with Terra REIT.

For the three and six months ended June 30, 2023, we reimbursed Terra REIT \$0.4 million and \$0.7 million, respectively, for operating expense incurred on our behalf pursuant to the Cost Sharing Agreement. For the three and six months ended June 30, 2022, we reimbursed Terra Income Advisors \$0.3 million and \$0.6 million, respectively, for operating expenses incurred on our behalf, pursuant to the Investment Advisory Agreement.

### ***Servicing Fees***

Terra BDC maintained a servicing plan whereby it paid selected dealers a servicing fee at an annual rate of 0.75% of the most recently published NAV per share of its common stock, in exchange for providing stockholder-related administrative support services. With respect to each share sold, excluding shares sold through the distribution reinvestment plan, the servicing fee was payable annually on the anniversary of the applicable month of purchase. In connection with the Merger, the servicing plan was terminated.

For the three and six months ended June 30, 2023, there were no servicing fees. For the three and six months ended June 30, 2022, serving fees were \$0.1 million and \$0.2 million, respectively.

### ***Reversal of Provision for Credit Losses***

On January 1, 2023, we adopted the provisions of Accounting Standards Update (“ASU”) 2016-13, Financial Instruments— Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which requires entities to recognize credit losses on financial instruments based on an estimate of current expected credit losses. Prior to the adoption of ASU 2016-13 and the Merger on October 2022, we followed investment company accounting and did not provide for allowance for credit losses.

For the three months ended June 30, 2023, we recorded a provision for credit losses of \$0.05 million, primarily due to the maturity of a loan being extended, and an overall weakening in macroeconomic forecasts during the period. For the six months ended June 30, 2023, we reversed previously accrued provision for credit losses of \$0.1 million due to an improvement in macroeconomic forecasts during the period. For the three and six months ended June 30, 2022, there was no provision for credit losses as we followed investment company accounting during that period.



### ***Interest Expense on Unsecured Notes Payable***

In February 2021, Terra BDC issued \$38.4 million in aggregate principal amount of 7.00% fixed-rate notes due 2026. On October 1, 2022 in connection with the Merger, Terra BDC, Terra LLC and U.S. Bank National Association entered into a

second supplemental indenture pursuant to which Terra LLC assumed the payment of the notes and the performance of every covenant of the indenture, to be performed or observed by Terra BDC.

For the three months ended June 30, 2023 and 2022, interest expense on unsecured notes payable was \$1.0 million and \$0.8 million, respectively. For the six months ended June 30, 2023 and 2022, interest expense on unsecured notes payable was \$1.9 million and \$1.5 million, respectively. The increase in interest expense on unsecured notes payable for the three and six months ended June 30, 2023 as compared to the same periods in 2022 was due to amortization of purchase discount recognized in connection with the Merger.

### ***Professional Fees***

For the three and six months ended June 30, 2023, professional fees were \$0.2 million and \$0.5 million, respectively, and for the three and six months ended June 30, 2022, professional fees were \$0.2 million and \$0.6 million, respectively, all of which were related to accounting and legal fees incurred in the normal course of business.

### ***Interest Expense on Term Loan***

In April 2021, Terra BDC entered into the Credit Agreement with a lender to provide for a delayed draw term loan of \$25.0 million. The Term Loan carried interest at a rate equal to 5.625% and was scheduled to mature on April 9, 2025. We also pay, with respect to any unused portion of the Term Loan, a commitment fee of 0.75% per annum. On September 27, 2022, the Credit Agreement was amended to change the scheduled maturity date to July 1, 2023 and remove the make whole premium on voluntary prepayment of the loans as well as to provide consent to the consummation of the Merger and the assumption by Terra LLC of all of the obligations of Terra BDC under the Credit Agreement effective October 1, 2022. On June 30, 2023, we amended the Credit Agreement to extend the scheduled maturity date to March 31, 2024 and increase the rate on which the Term Loan bears interest from a fixed rate of 5.625% per annum to a floating rate based on SOFR plus 7.375% with a SOFR floor of 5.0%. In connection with the amendment, we made a \$10.0 million repayment on the Term Loan. As of June 30, 2023, the amount outstanding under the Term Loan was \$15.0 million.

For the three and six months ended June 30, 2023, interest expense on the Term Loan was \$0.4 million and \$0.7 million, respectively, and for the three and six months ended June 30, 2022, interest expense on the Term Loan was \$0.4 million and \$0.7 million, respectively, and remained substantially the same for each comparable period.

### ***Interest Expense From Obligations Under Participation Agreements***

For the three and six months ended June 30, 2023, there was no interest expense from obligations under participation agreements as the related obligation under participation agreements was extinguished in connection with the Merger. For the three and six months ended June 30, 2022, interest expense from obligations under participation agreements was \$0.1 million and \$0.3 million, respectively.

### ***Directors' Fees***

For the three and six months ended June 30, 2023, there were no directors' fees as we do not have a board of directors. Our sole and managing member, Terra REIT, has been responsible for paying directors' fees to its directors. Prior to the Merger and for the three and six months ended June 30, 2022, directors' fees were \$0.03 million and \$0.06 million, respectively.

### ***Transaction Costs***

For the three and six months ended June 30, 2023, there were no transaction costs incurred. For both the three and six months ended June 30, 2022, transaction costs were \$1.1 million, related to transaction costs incurred in connection with the Merger.

### ***Income Tax Expense***

During the third quarter of 2021, Terra BDC formed a taxable REIT subsidiary (“TRS”) to hold two credit facilities. Subsequent to the Merger on October 1, 2022, the TRS became a qualified REIT subsidiary of Terra LLC.

For the three and six months ended June 30, 2023, there was no provision for income tax as a TRS is not utilized subsequent to the Merger. For the three and six months ended June 30, 2022, pre-tax income attributable to the TRS was \$0.2 million and \$1.6 million, respectively. Based on the effective income tax rate of 29.4% and 30.3%, the provision for income tax for the TRS was \$0.1 million and \$0.5 million, respectively.

### ***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 six months ended June 30, 2023, we did not record any unrealized appreciation or depreciation on investments because investments were reported at carrying value subsequent to the Merger (Successor Basis).

For the three and six months ended June 30, 2022, we recorded depreciation on investments of \$0.8 million and \$0.3 million, respectively, in connection with the early repayment of two loans, at which time we reversed the previously recorded unrealized gain on investments.

### ***Realized Gain (Loss) on Investments***

For both the three and six months ended June 30, 2023, we recognized realized loss on investments of \$0.01 million, related to the redemption of the held-to-maturity debt securities.

For the three and six months ended June 30, 2022, we sold marketable securities and recognized a net gain on investments of \$0.02 million and \$0.06 million, respectively.

### ***Net Income***

For the three and six months ended June 30, 2023, the resulting net income was \$0.1 million and \$1.0 million, respectively.

### ***Net (Decrease) Increase in Net Assets Resulting from Operations***

For the three and six months ended June 30, 2022, we recorded a net (decrease) increase in net assets resulting from operations of \$(0.5) million and \$1.0 million, respectively. Based on the weighted average shares of common stock outstanding, our per share net (decrease) increase in net assets resulting from operations was \$(0.06) and \$0.13, 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 and payments of our expenses.

We may borrow funds to make investments to the extent we determine that leveraging our portfolio would be appropriate. In February 2021, Terra BDC issued \$38.4 million in aggregate principal amount of 7.00% fixed-rate notes due 2026, for net proceeds of \$37.2 million after deducting underwriting commissions of \$1.2 million. On October 1, 2022 in connection with the Merger, Terra BDC, Terra LLC and U.S. Bank National Association entered into a second supplemental indenture pursuant to which Terra LLC assumed the payment of the notes and the performance of every covenant of the indenture, to be performed or observed by Terra BDC. In April 2021, Terra BDC entered into a Credit Agreement with a lender to provide for a delayed draw term loan of \$25.0 million. The Term Loan bore interest at a rate equal to 5.625% and was scheduled to mature on April 9, 2025. On September 27, 2022, the Credit Agreement was amended to change the scheduled maturity date to July 1, 2023 and remove the make whole premium on voluntary prepayment of the loans as well as to provide consent to the consummation of the Merger and the assumption by Terra LLC of all of the obligations of Terra BDC under the Credit Agreement. On June 30, 2023, we amended the Credit Agreement to extend the scheduled maturity date to March 31, 2024 and increase the rate on which the Term Loan bears interest from a fixed rate of 5.625% per annum to a floating rate based on SOFR plus

7.375% with a SOFR floor of 5.0%. In connection with the amendment, we made a \$10.0 million repayment on the Term Loan. As of June 30, 2023, the amount outstanding under the Term Loan was \$15.0 million.

Certain of our loans provide for commitments to fund the borrower at a future date. As of June 30, 2023, we had two loans with total funding commitments of \$36.8 million, of which we funded \$34.9 million. We expect to fund \$1.8 million of the unfunded commitments to borrowers during the next twelve months.

### ***Cash Flows for the Six Months Ended June 30, 2023 (Successor Basis)***

*Operating Activities* — For the six months ended June 30, 2023, cash provided by operating activities was \$1.5 million.

*Investing Activities* — For the six months ended June 30, 2023, cash provided by investing activities was \$10.6 million, primarily related to proceeds from repayment of loans of \$41.8 million and proceeds from sale of held-to-maturity debt securities of \$10.0 million, partially offset by purchase of equity interest in unconsolidated investment of \$27.4 million, purchase of held-to-maturity debt securities of \$10.0 million and payments for origination and purchase of loans of \$3.3 million.

*Financing Activities* — For the six months ended June 30, 2023, cash used in financing activities was \$10.2 million, primarily due to the repayments of borrowings under term loan payable of \$10.0 million and payment for financing cost of \$0.2 million.

### ***Cash Flows for the Six Months Ended June 30, 2022 (Predecessor Basis)***

*Operating Activities* — For the six months ended June 30, 2022, net cash used in operating activities was \$12.1 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 six months ended June 30, 2022 were primarily related to purchases of investments of \$45.5 million, partially offset by repayments and proceeds from sale of investments of \$35.7 million and cash generated from operations of \$2.3 million.

*Financing Activities* — For the six months ended June 30, 2022, net cash provided by financing activities was \$19.6 million, primarily related to proceeds from borrowings under the Term Loan of \$20.0 million and proceeds from obligations under participation agreements of \$1.0 million, partially offset by distributions paid to stockholders of \$1.4 million.

### **Critical Accounting Policies and Use of Estimates**

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

### ***Current Expected Credit Losses Reserve***

On January 1, 2023, we adopted the provisions of ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which requires entities to recognize credit losses on financial instruments based on an estimate of current expected credit losses (“CECL”). The CECL model requires the consideration of possible credit losses over the life of an instrument as opposed to only estimating credit losses upon the occurrence of a discrete loss event under the previous “incurred loss” methodology.

We utilize information obtained from internal and external sources relating to past events, current conditions and reasonable and supportable forecasts about the future to determine the expected credit losses for its loan portfolio. We utilize a loan loss model that is widely used among banks and commercial mortgage REITs and is marketed by a leading commercial mortgage-based security data

analytics provider. It employs logistic regression to forecast expected losses at the loan level based on a commercial real estate loan securitization database that contains activity dating back to 1998. We provide specific loan-level inputs which include loan-to-value and debt service coverage ratio metrics, as well as principal balances, property type, location, coupon rate, coupon rate type, original or remaining term, expected repayment dates and contractual future funding commitments. We select from a group of independent five-year macroeconomic forecasts included in the model that are updated regularly based on current economic trends. Based on the inputs, the loan loss model determines a loan loss rate through the generation of probability of defaults (PD) and loss given defaults (LGD) for each loan. The CECL reserve is then calculated by applying the loan loss rate to the total outstanding loan balance of each loan. These results require a significant

amount of judgment applied in selecting inputs and analyzing the results produced by the models to determine the allowance for credit losses. Changes in such estimates can significantly affect the expected credit losses.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

This section has been omitted pursuant to General Instruction H(2)(c) of Form 10-Q.

### **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 June 30, 2023. 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**

### **Item 1. Legal Proceedings.**

Neither we nor Terra REIT nor Terra REIT Advisors is currently subject to any material legal proceedings, nor, to our knowledge, are material legal proceedings threatened against us, Terra REIT, or Terra REIT Advisors. From time to time, we and individuals employed by Terra REIT 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.**

For a discussion of the potential risks and uncertainties associated with our business, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022. You should be aware that those risk factors may not describe every risk facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

This section has been omitted pursuant to General Instruction H(2)(b) of Form 10-Q.

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

This section has been omitted pursuant to General Instruction H(2)(b) of Form 10-Q.

### **Item 4. Mine Safety Disclosures.**



Not applicable.

**Item 5. Other Information.**

Not applicable.

**Item 6. Exhibits.**

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

| <b>Exhibit No.</b> | <b>Description and Method of Filing</b>                                                                                                                                                           |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1*              | <a href="#">Waiver and Amendment No. 2 to Credit Agreement, dated June 30, 2023, among Terra Income Fund 6, LLC, Eagle Point Credit Management, LLC, and the Lenders party thereto.</a>           |
| 31.1*              | <a href="#">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.</a> |
| 31.2*              | <a href="#">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.</a> |
| 32.1**             | <a href="#">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.</a>    |
| 101.INS            | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document                             |
| 101.SCH            | XBRL Taxonomy Extension Schema Document                                                                                                                                                           |
| 101.CAL            | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                             |
| 101.LAB            | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                   |
| 101.PRE            | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                            |
| 104                | Cover Page Interactive Data File Included as Exhibit 101 (embedded within the Inline XBRL document)                                                                                               |

\* Filed herewith.

\*\* Furnished 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: August 11, 2023

### **TERRA INCOME FUND 6, LLC**

By: Terra Property Trust, Inc., its sole member

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)

## WAIVER AND AMENDMENT NO. 2 TO CREDIT AGREEMENT

This WAIVER AND AMENDMENT NO. 2 TO CREDIT AGREEMENT, dated as of June 30, 2023 (this “*Agreement*”), among Terra Income Fund 6, LLC, a Delaware limited liability company (formerly Terra Merger Sub, LLC, and successor by merger to Terra Income Fund 6, Inc.) (“*Borrower*”), the Lenders party hereto and Eagle Point Credit Management LLC, as the administrative agent and collateral agent for the Lenders (in such capacity, the “*Agent*”).

### RECITALS:

**WHEREAS**, reference is made to that certain Credit Agreement, dated as of April 9, 2021, as amended by that certain letter amendment, dated as of September 27, 2022 (the “*Existing Credit Agreement*” and as amended by this Agreement and as may be amended, amended and restated, supplemented or otherwise modified from time to time hereafter, the “*Credit Agreement*”), among Borrower, the Lenders from time to time party thereto and the Agent;

**WHEREAS**, the Borrower has requested that the Lenders and the Agent (a) waive certain Events of Defaults existing pursuant to the Existing Credit Agreement and set forth on Exhibit A hereto (collectively, the “*Specified Events of Default*”) and (b) agree to amend the Existing Credit Agreement on the terms and conditions and to the extent set forth herein;

**WHEREAS**, the Lenders and Agent hereby agree to (a) waive the Specified Events of Default and (b) amend certain terms of the Existing Credit Agreement on the terms and conditions and to the extent set forth herein.

**NOW, THEREFORE**, in consideration of the premises and the agreements, provisions and covenants herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

1. **Defined Terms**. Unless otherwise specifically defined herein, each term used herein that is defined in the Credit Agreement (including as amended hereby) has the meaning assigned to such term in the Credit Agreement (including as amended hereby).

2. **Amendments to the Existing Credit Agreement**. Effective as of the Amendment No. 2 Effective Date, the Existing Credit Agreement is hereby amended as follows:

- (a) The Existing Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Credit Agreement attached as Exhibit B hereto.

3. **Limited Waiver**. As of the Amendment No. 2 Effective Date, Agent and each of the Lenders hereby waives the Specified Events of Default under the Credit Agreement. Nothing contained or implied in this Agreement shall be deemed to constitute a waiver of any Event of Default (other than the Specified Events of Default) or of any right, remedy or power of Agent or any Lender under the Existing Credit Agreement and the Credit Agreement (other than in respect of the Specified Events of Default), all of which, as against the Borrower, the Credit Parties or any other Person, are hereby expressly reserved by Agent and the Lenders.

4. **Representations and Warranties.** The Borrower represents and warrants to the Agent and each Lender that, as of the Amendment No. 2 Effective Date after giving effect to this Agreement:

- (a) the representations and warranties of the Borrower set forth in Section 4 of the Credit Agreement and in the other Transaction Documents are true and correct, except such representations and warranties that are not qualified by reference to materiality or Material Adverse Effect are true and correct in all material respects, as though made on and as of the date hereof (except for any such representation

LEGAL\_US\_E # 171550170.3

---

and warranty that by its terms is made only as of an earlier date, which representation and warranty shall remain true and correct in all material respects as of such earlier date);

- (b) the Borrower has taken all necessary limited liability company, corporate and other action to authorize the execution, delivery and performance of this Agreement and each of the other Transaction Documents to which it is a party;
- (c) this Agreement is the legally valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to Debtor Relief Laws and to general equity principles, and
- (d) other than the Specified Events of Default, no event has occurred and is continuing, or would result from the transactions contemplated by this Agreement, that constitutes a breach of the Financial Covenant, a Default or an Event of Default.

5. **Amendment No. 2 Effective Date Conditions.** This Agreement shall become effective (including the amendments to the Existing Credit Agreement contemplated pursuant to Section 2) as of the first date when each of the following conditions is satisfied or waived (such date, the “*Amendment No. 2 Effective Date*”):

- (a) the Agent shall have received counterparts of this Agreement executed and delivered by the Borrower, each Lender and Agent;
- (b) each of the representations and warranties contained in Section 4 shall be true and correct in all material respects on and as of the Amendment No. 2 Effective Date;
- (c) on or before 4:00 p.m. on June 30, 2023, each Lender (or the Agent on its behalf) shall have received from the Borrower, without duplication, its pro rata share of (i) a repayment of an aggregate \$10,000,000 of outstanding principal amount of Loans, (ii) an interest payment for the Interest Period ended June 30, 2023, and (iii) a non-refundable consent fee equal to 1.00% of the aggregate principal amount of the outstanding Loans held by such Lender immediately after giving effect to this Agreement (i.e., \$150,000);
- (d) a secretary’s certificate (1) confirming there have been no changes to the certified copies of the Organization Documents (including any amendments or supplements thereto) of the Borrower attached to the secretary’s certificate delivered on September 27, 2022, (2) the resolutions of the sole member of the Borrower in substantially the same form delivered on September 27, 2022, authorizing and approving the execution, delivery and performance by the Borrower of this Agreement, and (3) confirming there have been no changes to the incumbency certification included in the secretary’s certificate delivered on September 27, 2022; and
- (e) to the extent invoiced on or before the date hereof, Borrower shall have paid all outstanding fees and expenses of the Agent required to be paid pursuant to Section 9(e) of the Credit Agreement (including, for the avoidance of doubt, fees of external counsel).

6. **Post-Closing Covenant.** No later than 45 days after the Amendment No. 2 Effective Date (or such later date as may be agreed by the Agent in its sole discretion), the Borrower shall:

- (a) deliver a Control Agreement with respect to each Deposit Account and Securities Account that is not subject to a Control Agreement as of the date hereof (unless (i) such Deposit Account or

Securities Account constitutes an Excluded Account, (ii) is closed or (iii) the Borrower and the Agent mutually agree to exclude any

Deposit Account or Securities Account from the foregoing requirement), in each case in form and substance reasonably satisfactory to the Agent; and

- (b) use commercially reasonable efforts to cause the Borrower's depository institution to use commercially reasonable efforts to make available to the Agent duplicate copies of all bank statements provided concurrently with the delivery thereof to the Borrower with respect to each such Deposit Account and Securities Account (other than Excluded Accounts).

In the event despite commercially reasonable efforts the Borrower is unable to comply with the foregoing covenant in Section 6(a) within such 45-day period, then (i) such failure shall not constitute an Event of Default but (ii) during the period after such 45th day that Borrower remains in non-compliance with Section 6(a), until such time as the Borrower delivers a Control Agreement with respect to each such Deposit Account or Securities Account (other than Excluded Accounts), the Applicable Rate shall be (A) for SOFR Loans, 8.375% and (B) for Base Rate Loans, 7.375%.

7. **Reaffirmation of Obligations; Security Interests.** The Borrower hereby (a) acknowledges and reaffirms its obligations owing to the Agent and each Lender under the Credit Agreement and each other Transaction Document to which it is a party, and (b) agrees that the Credit Agreement, the Security Agreement and each of the Transaction Documents to which it is a party is and shall remain in full force and effect and confirms that all Liens granted, conveyed or assigned to the Agent by the Borrower pursuant to any Transaction Document to which it is a party remain in full force and effect, are not released or reduced, and continue to secure full payment and performance of the Obligations. The Borrower hereby (i) further ratifies and reaffirms the validity and enforceability of all Liens and security interests heretofore granted, pursuant to and in connection with the Transaction Documents to the Agent, on behalf and for the benefit of the Lenders, as collateral security for the Obligations under the Transaction Documents (including, without limitation, after giving effect to this Agreement) in accordance with their respective terms, and (ii) acknowledges that all Liens and security interests, and all Collateral heretofore pledged as security for such Obligations, continue to be and remain collateral for such Obligations from and after the date hereof (including, without limitation, after giving effect to this Agreement).

8. **Reference to and Effect on the Credit Agreement and the other Transaction Documents.**

- (a) Except to the extent expressly set forth in this Agreement, the execution, delivery and performance of this Agreement shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Agent or any Lender under the Credit Agreement or any of the other Transaction Documents;
- (b) On and after the Amendment No. 2 Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Transaction Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by this Agreement; and
- (c) To the extent that any of the terms and conditions in any of the Transaction Documents shall contradict or be in conflict with any of the terms or conditions of the Credit Agreement after giving effect to this Agreement, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Credit Agreement as modified or amended hereby.



9. **Amendment, Modification and Waiver.** This Agreement may not be amended, modified or waived except as permitted by Section 9(b) of the Credit Agreement.

10. **Headings.** Section headings used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

11. **GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS; AND WAIVER OF JURY TRIAL.** THIS AGREEMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. THIS AGREEMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING JURISDICTION; SERVICE OF PROCESS AND WAIVER OF JURY TRIAL SET FORTH IN SECTIONS 9(t) and 9(u) OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, *MUTATIS MUTANDIS*.

12. **Severability.** Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

13. **Counterparts; Integration.** This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of a counterpart hereof by facsimile transmission or by e-mail transmission of an Adobe portable document format file (also known as a “PDF” file) shall be effective as delivery of a manually executed counterpart hereof. The words “execution,” “execute,” “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act or any other similar state laws based on the Uniform Electronic Transactions Act. This Agreement and the other Transaction Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Borrower, the Agent, nor any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Transaction Documents.

14. **Transaction Document; No Novation.** On and after the Amendment No. 2 Effective Date, this Agreement shall constitute a “Transaction Document” for all purposes of the Credit Agreement and the other Transaction Documents. This Agreement shall not constitute a novation of the Existing Credit Agreement or any of the Transaction Documents.

[Signature Pages Follow]



**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

TERRA INCOME FUND 6, LLC, as Borrower

By: /s/ Gregory M. Pinkus

Name: Gregory M. Pinkus

Title: Chief Financial Officer

[Signature Page to Amendment No. 2 to Credit Agreement]

---

EAGLE POINT CREDIT MANAGEMENT LLC, as Agent

By: /s/ Taylor Pine

Name: Taylor Pine

Title: Principal – Director of Operations

[Signature Page to Amendment No. 2 to Credit Agreement]

---

EAGLE POINT DIF DELAWARE I, LLC, as a Lender

By: Eagle Point Credit Management, LLC, its investment  
advisor

By: /s/ Taylor Pine

Name: Taylor Pine

Title: Principal – Director of Operations

EP DIF CAYMAN I, LP, as a Lender

By: Eagle Point Credit Management, LLC, its investment  
advisor

By: /s/ Taylor Pine

Name: Taylor Pine

Title: Principal – Director of Operations

WILTON REINSURANCE COMPANY, as a Lender

By: Eagle Point Credit Management, LLC, its investment  
advisor

By: /s/ Taylor Pine

Name: Taylor Pine

Title: Principal – Director of Operations

WILCAC LIFE INSURANCE COMPANY, as a Lender

By: Eagle Point Credit Management, LLC, its investment  
advisor

By: /s/ Taylor Pine

Name: Taylor Pine

Title: Principal – Director of Operations

[Signature Page to Amendment No. 2 to Credit Agreement]

---

BLUECROSS BLUESHIELD OF TENNESSEE INC., as a  
Lender

By: Eagle Point Credit Management, LLC, its investment  
advisor

By: /s/ Taylor Pine

Name: Taylor Pine

Title: Principal – Director of Operations

PCT PARTNERS, LLC, as a Lender

By: Eagle Point Credit Management, LLC, its investment  
advisor

By: /s/ Taylor Pine

Name: Taylor Pine

Title: Principal – Director of Operations



**EXHIBIT A**  
**Specified Events of Default**

1. An Event of Default arising under Section 8(b) of the Existing Credit Agreement resulting from the failure of the Borrower to comply with Section 5(m)(ii) of the Existing Credit Agreement in respect of the Deposit Account maintained with Wells Fargo Bank, N.A. , which required the delivery of a Control Agreement in respect of any new Deposit Account or Securities Account established after the Closing Date.
  2. Events of Default arising under Section 8(b) of the Existing Credit Agreement resulting from the failure to deliver a Control Agreement in respect of the Bank of America account referred to in clause (d) of the definition of “Excluded Accounts” after breaching the applicable thresholds set forth therein.
-

**EXHIBIT B**  
**Conformed Credit Agreement**

---

Consent and Amendment Letter dated as of September 27, 2022  
[Amendment No. 2 to Credit Agreement, dated as of June 30, 2023](#)

---

CREDIT AGREEMENT

dated April 9, 2021

among

TERRA INCOME FUND 6, ~~INC.~~[LLC](#)  
[\(formerly Terra Merger Sub, LLC, and successor by merger to Terra Income Fund 6, Inc.\)](#),  
as Borrower,

THE LENDERS PARTY HERETO,

and

EAGLE POINT CREDIT MANAGEMENT LLC,  
as Agent

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

## TABLE OF CONTENTS

### SECTION    HEADING    PAGE

SECTION 1.    INTERPRETATION    1

SECTION 2.    THE LOANS    2

SECTION 3.    CONDITIONS PRECEDENT TO EFFECTIVENESS AND LOANS    12

SECTION 4.    REPRESENTATIONS AND WARRANTIES    14

SECTION 5.    AFFIRMATIVE COVENANTS    20

SECTION 6.    NEGATIVE COVENANTS    25

SECTION 7.    FINANCIAL COVENANT.    28

SECTION 8.    EVENTS OF DEFAULT AND REMEDIES    28

SECTION 9.    MISCELLANEOUS    31

SECTION 10.    DEFINITIONS; CONSTRUCTION    39

### SCHEDULES

SCHEDULE 1    –    LOAN COMMITMENTS

SCHEDULE 2    –    FORM OF VALUATION STATEMENT

SCHEDULE 4(W)    –    ACCOUNTS

SCHEDULE 6(A)    –    PERMITTED INDEBTEDNESS

SCHEDULE 6(B)    –    PERMITTED LIENS

### EXHIBITS

EXHIBIT A-1    –    FORM OF U.S. TAX COMPLIANCE CERTIFICATE

EXHIBIT A-2    –    FORM OF U.S. TAX COMPLIANCE CERTIFICATE

EXHIBIT A-3    –    FORM OF U.S. TAX COMPLIANCE CERTIFICATE

EXHIBIT A-4    –    FORM OF U.S. TAX COMPLIANCE CERTIFICATE

EXHIBIT B – FORM OF COMPLIANCE CERTIFICATE  
EXHIBIT C – FORM OF BORROWING NOTICE

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

## CREDIT AGREEMENT

This CREDIT AGREEMENT (this “*Agreement*”) is made as of April 9, 2021 (the “*Closing Date*”) among Terra Income Fund 6, [LLC, a Delaware limited liability company \(formerly Terra Merger Sub, LLC, and as successor by merger to Terra Income Fund 6, Inc., a Maryland corporation\)](#) (the “*Borrower*”), as borrower, certain funds and accounts managed by Eagle Point Credit Management LLC (“*Eagle Point*”), as lenders (in such capacity, collectively, the “*Lenders*”) and Eagle Point as the administrative agent and collateral agent for the Lenders (in such capacity, the “*Agent*”).

The Borrower has requested that the Lenders provide certain term loans, and the Lenders, acting through the Agent, are willing to do so on the terms and conditions set forth herein. In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

### SECTION 1. INTERPRETATION

*Definitions.* The terms defined in Section 10 and in the Exhibits and Appendices hereto will have the meanings therein specified for purposes of this Agreement.

*Valuations and Calculations.* All valuations or calculations herein or under any other Transaction Document shall be in Dollars. All financial computations required under this Agreement shall be made, and all financial information required under this Agreement shall be prepared, in accordance with Appropriate Accounting Principles.

*References to Agreements, Laws and Persons.* Unless otherwise expressly provided herein, (i) references to documents, agreements and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto permitted hereby; and (ii) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law and (iii) references to any Person include its successors and permitted assigns.

*Other References.* Unless otherwise specified, (i) the meanings of defined terms are equally applicable to the singular and plural forms of the defined terms, (ii) the words “herein”, “hereto”, “hereof” and “hereunder” and words of similar import when used in any Transaction Document shall refer to such Transaction Document as a whole and not to any particular provision thereof, (iii) Article, Section, Exhibit and Appendix references are to the Transaction Document in which such reference appears, (iv) the term “including” is by way of example and not limitation, and (v) Section headings are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Transaction Document. References to “knowledge,” “aware,” or “awareness” (or words of similar import) of Borrower means the actual knowledge of a Responsible Officer of Borrower.

(a) [Rates. The Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, \(a\) the continuation of, administration of, submission of, calculation of or any other matter related to Base Rate, the Term SOFR Reference Rate or Term](#)

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---



SOFR, or any component definition thereof or rates referred to in the definition thereof, or any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, Base Rate, the Term SOFR Reference Rate, Term SOFR or any other Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Benchmark Replacement Conforming Changes. The Agent and its affiliates or other related entities may engage in transactions that affect the calculation of Base Rate, the Term SOFR Reference Rate, Term SOFR, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto, in each case, in a manner adverse to the Borrower. The Agent may select information sources or services in its reasonable discretion to ascertain Base Rate, the Term SOFR Reference Rate, Term SOFR or any other Benchmark, or any component definition thereof or rates referred to in the definition thereof, in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

## THE LOANS

### *Loans.*

Subject to the terms and conditions set forth herein, each Lender, severally and not jointly, agrees to make to the Borrower, as Borrower may request, on each Borrowing Date, a delayed draw term loan (each such loan, a “*Loan*”), in an amount up to the unfunded amount of such Lender’s applicable Loan Commitment; *provided* that no Lender shall have an obligation to make a Loan in excess of such Lender’s Loan Commitment. Each Lender’s Loan Commitment shall automatically be reduced immediately upon and in the principal amount of each Loan made hereunder. If there exists any unfunded Loan Commitments on the Commitment Termination Date, then on such date each Lender shall make, and the Borrower shall accept, a Loan equal to the amount of such Lender’s remaining unfunded Loan Commitment such that after giving effect to the making of such Loans, the aggregate principal amount of Loans made by the Lenders shall be equal to the amount of the Loan Commitments. Each Lender’s Loan Commitment shall terminate immediately and without further action on the Commitment Termination Date after giving effect to the funding, if any, of such Lender’s Loan on such date.

The Borrower unconditionally promises to repay to the Lenders on the Maturity Date (or such earlier date if the Loan Commitments shall be terminated in whole pursuant to this Agreement) the aggregate principal amount of Loans outstanding on such date, together with all accrued but unpaid interest thereon, all fees (including, without limitation, the Unused Commitment Fees, if any) and other Obligations payable hereunder.

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

Any principal amounts repaid in respect of any Loan, in whole or in part, may not be reborrowed.

*Borrowings.* The Borrower may request that the Lenders make a Loan by delivering to the Agent an executed irrevocable notice substantially in the form attached hereto as Exhibit C (each, a “*Borrowing Notice*”) not later than 2:00 p.m. (New York time) at least six (6) Business Days prior to the date of the requested Borrowing Date unless such notice period is waived by the Agent in its sole discretion. The aggregate amount of each borrowing of a Loan by Borrower shall be in an aggregate amount of at least \$1,000,000 in the case of the initial borrowing and \$500,000 in the case of each subsequent borrowing and an integral multiple of \$100,000 in excess of such amount (or, if less, the remaining unfunded Loan Commitments). Each Borrowing Notice delivered pursuant to this Section 2(b) must specify the requested Borrowing Date and amount of requested borrowing; provided that the Lenders shall not be obligated to fund a Loan more than twice each month unless such restriction is waived by the Agent in its sole discretion. If any such Borrowing Notice is not delivered by the time referred to above, then it shall be deemed to have been given on the next Business Day.

*Optional Prepayments of Loans.* The Borrower may voluntarily prepay any Loan, in whole or in part, together with all accrued but unpaid interest thereon, by irrevocable written notice to the Agent not later than 2:00 p.m. (New York time) at least thirty (30) days (but not more than sixty (60) days) prior to the proposed date of prepayment. Any such prepayment of a Loan shall be in a principal amount of at least \$500,000 and an integral multiple of \$100,000 in excess of such amount (or, if less, the entire principal amount thereof then outstanding). Prepayments in whole pursuant to this Section 2(c) shall not, in and of themselves, constitute a termination of this Agreement by the Borrower.

*Mandatory Prepayments.*

If, at any time, the Asset Coverage Ratio as stated on the most recent Valuation Statement delivered to Agent in accordance with Section 5(b)(ii) is less than 200%, the Borrower shall, within ten (10) Business Days following the date such Valuation Statement is required to be delivered, repay the outstanding Loans until the Asset Coverage Ratio after such payments exceeds 200%.

The Borrower will give written notice to the Agent at least ten (10) days prior to the occurrence of a Change of Control, which notice shall (A) state the expected effective date of such Change of Control and (B) contain an offer to repay the Loans and all other Obligations hereunder in full as of the effective date of such Change of Control. Notwithstanding the foregoing, any notice of a Change of Control may state that the offer to repay the Loans in accordance with this Section 2(d)(ii) is conditioned upon the effectiveness of the Change of Control, in which case such notice may be revoked by the Borrower (by notice to the Agent on or prior to the effective date of such Change of Control) if such condition is not satisfied. Within five (5) days following the receipt of such notice, the Agent, on behalf of the Lenders, shall notify the Borrower in writing whether the Lenders accept the offer of repayment of the Loans as set forth herein and provide the Borrower with the Agent’s calculation of the repayment amount due under

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

this Section 2(d)(ii) in an amount equal to the sum of (x) the product of (1) 100%, times (2) the principal amount of the outstanding Loans, plus (y) all accrued but unpaid interest on the principal amount of the outstanding Loans, which calculations shall be conclusive absent manifest error. In the event the Lenders accept the Borrower's offer to repay the Loans in accordance with this Section 2(d)(ii), the Borrower shall so repay the Loans and all other Obligations in full in accordance with the Agent's calculations on the effective date of such Change of Control. In the event the Lenders reject the Borrower's offer to repay the Loans in accordance with Section 2(d)(ii), the Loans and all other Obligations shall remain outstanding and the Transaction Documents shall remain in full force and effect. Each Lender's determination to accept or reject the Borrower's offer to repay the Loans as set forth herein shall be made in such Lender's sole discretion.

*Incremental Loan Commitments.* Borrower may, by written notice to Agent (each, an "*Incremental Loan Request*"), request one or more increases in the Loan Commitment (each, an "*Incremental Loan Commitment*" and the loans thereunder, each an "*Incremental Loan*") at any time; *provided* that no commitment of any Lender shall be increased without the consent of such Lender in such Lender's sole discretion and no Lender shall be required to participate in any Incremental Loan. Each Incremental Loan Request shall set forth (x) the amount of the Incremental Loan Commitment being requested (which shall be in a minimum amount of \$1,000,000 and multiples of \$500,000 in excess thereof) and (y) the date on which such Incremental Loan is requested to become effective (which, unless otherwise agreed by Agent and the Lenders providing such Incremental Loan, shall not be less than six (6) days nor more than sixty (60) days after the date of any Incremental Loan Request (the "*Incremental Effective Date*")). Upon delivery of the applicable Incremental Loan Request to Agent, such Incremental Loan Commitment shall be offered to all Lenders pro rata according to the respective outstanding principal amounts of the Loans and Loan Commitments held by each Lender (or in such other proportion as may be agreed by the Lenders and the Agent). The Agent shall have up to ten (10) Business Days to deliver a response regarding the amount of the requested Incremental Loan that the Lenders will provide. If the existing Lenders fail to provide the full amount of the requested Incremental Loan, the Borrower may offer any portion of the requested Incremental Loan that is not provided by the existing Lenders to new lenders which may join this Agreement, with all terms and conditions to such Incremental Loans remaining unchanged with the possible exception of any mutually agreed amendments to the interest rate and fees to be applicable to such Incremental Loans.

*Conditions.* Notwithstanding anything in this Agreement to the contrary, no Incremental Loan shall become effective under this Section 2(e) unless, after giving effect to such Incremental Loan:

no Default or Event of Default shall exist or result from the incurrence of such Incremental Loan;

after giving effect to the incurrence of any Incremental Loan, the Borrower is in pro forma compliance with the Financial Covenant;

all representations and warranties contained in the Transaction Documents shall be true and correct in all material respects (without duplication of any materiality qualifier therein) both before and after giving effect to such Incremental Loan (except to the extent any representation or warranty relates to an earlier date in which case such representation or warranty shall be true and correct in all material respects as of such earlier date); and

Agent shall have received a certificate duly executed by an officer of the Borrower, certifying as to the foregoing.

*Required Amendments.* The Agent, Lenders and Borrower agree that, upon the effectiveness of any Incremental Loan Commitment, this Agreement shall be amended to the extent necessary to reflect the existence of such Incremental Loan Commitment. From and after each Incremental Effective Date, the Incremental Loans and Incremental Loan Commitments established pursuant to this Section 2(e) shall (A) constitute Loans and Loan Commitments under, and shall be entitled to all the benefits afforded by, this Agreement and the other Transaction Documents and (B) without limiting the foregoing, benefit equally and ratably from the security interests created by the applicable Transaction Documents. The Borrower shall take any actions reasonably required by the Agent and the Lenders to ensure and/or demonstrate that the Liens and security interests granted by the applicable Transaction Documents continue to be perfected under the UCC or otherwise after giving effect to the establishment of any such Incremental Loans and Incremental Loan Commitments.

*Lender's Obligations Several.* All Loans shall be made by the Lenders proportionately to their respective applicable Loan Commitments, it being understood that no Lender shall be responsible for any default by any other Lender in such other Lender's obligation to make the Loans hereunder.

*Accrual and Payment of Interest and Fees.*

Each SOFR Loan shall bear interest on the outstanding principal amount thereof ~~for on~~ each day of each Interest Period at a rate per annum equal to the Term SOFR or the Benchmark Replacement for such Interest Period plus the Applicable Rate and (y) each Base Rate Loan shall bear interest on the outstanding principal amount thereof on each day at a rate per annum equal to ~~5.625%; provided that for each day that (A) the Borrower fails to cause to be maintained a Loan Rating as required pursuant to Section 5(o) or (B) the Loan Rating is below Investment Grade, each Loan shall bear interest at a rate per annum equal to 6.625%~~the Base Rate plus the Applicable Rate. All accrued and unpaid interest on the Loans shall be due and payable on the last day of the applicable Interest Period and at such other times as may be specified herein.

On the initial Borrowing Date, the Borrower agrees to pay to the Lenders, as compensation for providing the Loan Commitments, a fee in an amount equal to 2.50% of the Loan Commitments (i.e., \$625,000), which fee shall take the form of original issue discount and be net funded from the proceeds of the Loans funded on the initial

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

Borrowing Date. Such fee will be in all respects fully earned, due and payable on the initial Borrowing Date and non-refundable and non-creditable thereafter.

The Borrower agrees to pay to the Lenders, as compensation for providing the Loan Commitments, the Unused Commitment Fee, which fee shall accrue at all times from and after the Closing Date until the Commitment Termination Date, including at any time during which one or more of the conditions in Section 3(b) is not met. Any accrued and unpaid Unused Commitment Fee shall be due and payable on each Payment Date.

Upon the occurrence and during the continuation of a Specified Event of Default, the principal amount of the outstanding Loans and, to the extent permitted by Applicable Law, any past due interest payments on the Loans, any unpaid prepayment premium and any fees or other amounts owed hereunder, in each case whether at stated maturity, by notice of prepayment, by acceleration or otherwise, shall (unless waived in writing by the Lenders) bear interest (including, without limitation, interest, as provided in this Agreement, accruing after the filing of a petition initiating any insolvency proceedings, whether or not such interest accrues or is recoverable against the Borrower after the filing of such petition for purposes of the Bankruptcy Code or is an allowed claim in such proceeding) at the Default Rate. Interest payable at the Default Rate in accordance with this Section 2(g)(iv) shall be payable by the Borrower (x) in the case of any Event of Default other than an Event of Default pursuant to Section 8(h), upon written demand from the Agent to the Borrower and (y) in the case of an Event of Default pursuant to Section 8(h), automatically and without further notice or action by any party. For the avoidance of doubt, payment or acceptance of the Default Rate is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of the Agent or any Lender.

*Evidence of Indebtedness.* Agent shall maintain, as agent for the Lenders, at Agent's principal office, a register for the recordation of the names and addresses of each Lender and the Loans owed to each Lender by the Borrower (the "Register"). The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice. Agent shall record in the Register the interest and the outstanding balance of the Loans, and each repayment or prepayment in respect of the principal amount of and interest and other amounts with respect to the Loans, and any such recordation shall be conclusive and binding on the Borrower and each Lender, absent manifest error; *provided* that the failure to make any such recordation, or any error in such recordation, shall not affect the principal outstanding amount of the Loans, or the Borrower's Obligations in respect thereto. No transfer of the Loans and/or any interests therein shall be effective until such transfer is recorded in the Register. The Borrower hereby designates the entity serving as Agent to serve as the Borrower's agent solely for purposes of maintaining the Register as provided in this Section 2(h).

*Computation of Interest and Fees.* All computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid.



LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

*Payments Generally.* Except as otherwise expressly provided herein, all payments hereunder (including, but not limited to, payments made pursuant to Sections 2(d) and (g)) shall be in Dollars and the Borrower shall make each payment hereunder not later than 4:00 p.m. (New York time) on the date specified herein (i) to each Lender's account in accordance with the most recent payment instructions provided by such Lender to the Borrower in writing from time to time in accordance with such Lender's pro rata share of the Loans (which pro rata share shall be provided by the Agent in writing from time to time) or (ii) if directed by the Agent in writing, to the Agent in accordance with the payment instructions provided by the Agent for distribution to the Agent. All payments received after 4:00 p.m. (New York time) shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next succeeding Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be. If at any time insufficient funds are received by and available to the Lenders to pay fully all amounts of principal, interest, fees and other amounts then due hereunder, such funds shall be applied, first, to pay interest, fees and other amounts then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest, fees and other amounts then due to such parties and second, to reduce the outstanding Loans ratably among the parties entitled thereto.

*No Set-off or Withholding.* All payments by or on behalf of the Borrower to the Lenders (including for purposes of this Section 2(k), any assignee, successor, or participant or an economic arrangement that is similar to a participation) hereunder shall be made to the Lenders in full without condition or reduction for any counterclaim, defense, recoupment or setoff.

#### *Taxes*

*Payments Free of Taxes.* Any and all payments by or on account of any obligation of the Borrower under any Transaction Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding upon the basis of the information and documentation to be delivered pursuant to subsection (vi) below and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made. For purposes of this Section, the term "Applicable Law" includes FATCA.

*Payment of Other Taxes by the Borrower.* The Borrower shall timely pay to the relevant Governmental Authority in accordance with Applicable Law, or at the option of the Agent timely reimburse it for the payment of, any Other Taxes.

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

*Indemnification by the Borrower.* The Borrower shall indemnify each Recipient, within 20 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Agent), or by the Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

*Indemnification by the Lenders.* Each Lender shall severally indemnify the Agent, within 20 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), and (ii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Agent in connection with any Transaction Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Agent to set off and apply any and all amounts at any time owing to such Lender under any Transaction Document or otherwise payable by the Agent to such Lender from any other source against any amount due to the Agent under this paragraph.

*Evidence of Payments.* As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section, the Borrower shall deliver to the Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment (if any), a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent.

*Status of Lenders.*

Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Transaction Document shall deliver to the Borrower and the Agent, at the time or times reasonably requested by the Borrower or the Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, each Lender, if reasonably requested by the Borrower or the Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Agent as will enable the Borrower or the Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

Section 2(l)(vi)(B)(1), (2) and (4) below) shall not be required if in such Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person,

any Lender that is a U.S. Person shall deliver to the Borrower and the Agent on or prior to the date on which the Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), executed copies of IRS Form W-9 certifying that the Lender is exempt from U.S. federal backup withholding tax;

any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), whichever of the following is applicable:

A. in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Transaction Document, executed copies of IRS Form W-8BEN or W-8BEN-E (as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Transaction Document, IRS Form W-8BEN or W-8BEN-E (as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

B. executed copies of IRS Form W-8ECI;

C. in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit A-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

(a “*U.S. Tax Compliance Certificate*”) and (y) executed copies of IRS Form W-8BEN or W-8BEN-E (as applicable); or

D. to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or W-8BEN-E (as applicable), a U.S. Tax Compliance Certificate substantially in the form of Exhibit A-2 or Exhibit A-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; *provided* that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit A-4 on behalf of each such direct and indirect partner;

any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent), executed copies of any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrower or the Agent to determine the withholding or deduction required to be made; and

if a payment made to the Lender under any Transaction Document would be subject to U.S. federal withholding Tax imposed by FATCA if the Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), the Lender shall deliver to the Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Agent such documentation prescribed by Applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the Borrower and the Agent to comply with their obligations under FATCA and to determine that the Lender has complied with the Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (4), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.



Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 2(l) expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Agent in writing of its legal inability to do so.

*Treatment of Certain Refunds.* If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (vii) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (vii), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

*Survival.* Each party's obligations under this Section shall survive the resignation or replacement of the Agent or any assignment of rights by, or the replacement of, any Lender, the termination of the Loan Commitments and the repayment, satisfaction or discharge of all obligations under any Transaction Document.

*Defaulting Lenders.* Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

the Unused Commitment Fee payable pursuant to Section 2(g)(iii) shall cease to accrue on the unused Loan Commitment of such Defaulting Lender;

the Loan Commitments of such Defaulting Lender shall not be included in determining whether the Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 9(b)); and

any payment of principal, interest, fees or other amounts received by the Defaulting Lender or the Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 8 or otherwise) shall be applied at such time or times as may be determined by the Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Agent hereunder; *second*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Agent; *third*, if so determined by the Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; *provided* that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 3(b) were satisfied or waived, such payment shall be applied solely to pay the Loans of all applicable non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

In the event that the Agent and the Borrower agree that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the provisions of this Section 2(m) shall cease to apply to such Lender.

*Sharing of Payments.* If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; *provided* that:

if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

the provisions of this paragraph shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant.

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(o) *Benchmark Replacement Setting.*

(i) *Benchmark Replacement.* Notwithstanding anything to the contrary herein or in any other Transaction Document, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (1) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Transaction Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Transaction Document and (y) if a Benchmark Replacement is determined in accordance with clause (2) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Transaction Document in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any other Transaction Document so long as the Agent has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders. If the Benchmark Replacement is Daily Simple SOFR, all interest payments will be payable on a quarterly basis.

(ii) *Benchmark Replacement Conforming Changes.* In connection with the use, administration, adoption or implementation of a Benchmark Replacement, the Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Transaction Document.

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

(iii) *Notices; Standards for Decisions and Determinations.* The Agent will promptly notify the Borrower and the Lenders of (x) the implementation of any Benchmark Replacement and (y) the effectiveness of any Benchmark Replacement Conforming Changes in connection with the use, administration, adoption or implementation of a Benchmark Replacement. Agent will notify the Borrower of (a) the removal or reinstatement of any tenor of a Benchmark pursuant to Section 2(o)(iv) and (b) the commencement of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section 2(o) including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion (provided that the Agent shall administer Benchmark Replacement, Benchmark Replacement Adjustment and Benchmark Replacement Conforming Changes in accordance with Agent's customary practice for similar loans) and without consent from any other party to this Agreement or any other Transaction Document, except, in each case, as expressly required pursuant to this Section 2(o).

(iv) *Unavailability of Tenor of Benchmark.* Notwithstanding anything to the contrary herein or in any other Transaction Document, at any time when the Term SOFR Reference Rate is not the Benchmark (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term rate (other than Term SOFR Reference Rate) and either (A) any Available Tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any Available Tenor for such Benchmark is not or will not be representative, then the Agent may modify the definition of "Interest Period" for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (ii) if a tenor that was removed pursuant to clause (i) of this Section 2(o) either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is not or will not be representative for a Benchmark (including a Benchmark Replacement), then the Agent may modify the definition of "Interest Period" for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(v) *Benchmark Unavailability Period.* Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, (x) the Borrower may revoke any request for a borrowing of, conversion to or continuation of SOFR Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Base Rate Loans and (y) any outstanding affected SOFR Loans will be deemed to have been converted to Base Rate Loans at the end of the applicable Interest Period unless prior to the end of such applicable Interest Period the Benchmark Replacement has replaced the then-current Benchmark for all

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

purposes hereunder. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of Base Rate.

## CONDITIONS PRECEDENT TO EFFECTIVENESS AND LOANS

*Conditions Precedent to Effectiveness.* This Agreement shall become effective upon satisfaction (or waiver by the Agent) of the following conditions precedent:

The Agent shall have received each of the following documents, duly executed, each (unless otherwise specified below) dated the Closing Date and in form and substance satisfactory to the Agent:

duly executed counterpart of this Agreement;

duly executed Security Documents and all documents required to be delivered thereunder on the Closing Date, including UCC-1 financing statements;

certified copies of (1) the Organization Documents (including any amendments or supplements thereto) of the Borrower, (2) the resolutions of the board of directors (or similar governing body) of the Borrower authorizing and approving the execution, delivery and performance by the Borrower of this Agreement, the Security Agreement, and the other Transaction Documents and the Loans hereunder, and otherwise satisfactory to the Agent, and (3) documents evidencing all other necessary company action, governmental approvals and third-party consents, if any, with respect to this Agreement, the Security Agreement, and any other Transaction Document;

a certificate of the Borrower certifying the names and true signatures of the Responsible Officers of the Borrower authorized to sign this Agreement, the Security Agreement, any other Transaction Document, or any other document to be delivered hereunder or thereunder;

certificate evidencing the good standing of the Borrower in its jurisdiction of formation dated a date not earlier than twenty (20) days prior to the Closing Date as to the good standing of the Borrower;

the results of tax, judgment and Lien searches on the Borrower, obtained by and satisfactory to the Agent, and dated as of a recent date;

the initial rating and confirmation letter as set forth in Section 5(o), which shall be reasonably acceptable to the Agent;

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---



an opinion letter of Alston & Bird LLP, primary transaction counsel to the Borrower and Venable LLP, Maryland counsel to the Borrower, in each case, in form and substance satisfactory to the Agent;

a true and correct written copy of the Valuation Methodology in effect on the Closing Date; and

such other assurances, certificates, documents, consents, or opinions as the Agent reasonably may request in writing.

The Borrower shall have paid all fees and expenses required to be paid by it on the Closing Date in accordance with Section 9(e).

The Custody Account shall have been established by the Borrower and the Control Agreement shall have been executed with respect thereto.

The Agent shall have completed its due diligence review with respect to the Borrower and the Investment Adviser and is satisfied, in its sole and absolute discretion, with the result of its due diligence review, including its due diligence review of the Borrower's Investment Policies and Restrictions. The Lenders shall have received all documentation and other information that the Lenders have reasonably requested in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act.

To the extent the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, the Borrower shall deliver a Beneficial Ownership Certification to the Agent at least five days prior to the Closing Date.

*Conditions Precedent to All Loans.* The obligation of the Lenders to make any Loan is subject to satisfaction (or waiver by the Agent) of the following conditions precedent:

The representations and warranties contained in Section 4 or any other Transaction Document or any document furnished at any time under or in connection herewith or therewith shall be true and correct in all material respects on and as of the date of such Loan immediately prior to and after giving effect to such Loan (except (x) to the extent any representation or warranty relates to an earlier date in which case such representation or warranty shall be true and correct in all material respects as of such earlier date and (y) any representation or warranty which is subject to any materiality qualifier shall be true and correct in all respects).

Immediately before and immediately after giving effect to such proposed Loan, no Default or Event of Default shall exist or would occur.

After giving effect to the incurrence of the proposed Loan, the Borrower shall be in pro forma compliance with the Financial Covenant.

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

The Agent shall have received a Valuation Statement dated as of a date not more than 48 hours preceding such Borrowing Date.

The Collateral Requirement has been satisfied.

The absence of any action, suit, investigation or proceeding pending or, to the knowledge of the Borrower, threatened in writing in any court or before any arbitrator or Governmental Authority that would reasonably be expected to result in a Material Adverse Effect.

The Agent shall have received a duly executed certificate of a Responsible Officer of the Borrower certifying that the conditions specified in Section 3(a) and Section 3(b), as applicable, have been satisfied on and as of the date of the making of a Loan.

## **REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to the Agent and the Lenders as of the Closing Date and as of each Borrowing Date (both immediately before and immediately after giving effect thereto) that:

*Existence, Qualification and Power.* The Borrower (i) is duly incorporated, validly existing and in good standing under the Laws of the jurisdiction of its incorporation, (ii) is duly qualified and in good standing as a foreign company in each other jurisdiction in which the conduct of its business requires it to so qualify or be licensed and where, in each case, failure to so qualify and be in good standing would reasonably be expected to result in a Material Adverse Effect, (iii) has all requisite power and authority to own or lease and operate its properties and to carry on its business as now conducted and to execute, deliver and perform its obligations under each Transaction Document, (iv) has all requisite governmental licenses, authorizations, consents and approvals to own or lease and operate its properties and to carry on its business as now conducted, except where the failure to have such licenses, authorizations, consents and approvals would not reasonably be expected to have a Material Adverse Effect and (v) has all requisite governmental licenses, authorizations, consents and approvals to execute, deliver and perform its obligations under each Transaction Document.

*Authorization; No Contravention.* The execution, delivery and performance by the Borrower of each Transaction Document to which it is a party (when delivered) and the grant of the security interest contemplated hereby and thereby with respect to the Collateral are within its corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene the Borrower's Organization Documents, (ii) contravene any material contractual restriction binding on it or require any consent under any material agreement or instrument to which it is a party or by which any of its properties or assets is bound, except as would not reasonably be expected to result in a Material Adverse Effect, (iii) result in or require the creation or imposition of any Liens upon any property or assets of the Borrower other than Liens in favor of the Agent pursuant to the Transaction Documents, or (iv) violate any Applicable Law (including the Securities Act of 1933, the Exchange Act and the Investment Company Act and

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

the regulations thereunder) or writ, judgment, injunction, determination or award. The Borrower is in compliance in all material respects with its Organization Documents.

*Governmental Authorizations; Other Consents.* Except for any filings contemplated by the Security Agreement, no order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption or waiver by, any Governmental Authority or any other third party (except as have been obtained or made and are in full force and effect), is required to authorize, or is required in connection with, (i) the execution, delivery and performance by the Borrower of any Transaction Document to which it is a party or (ii) the legality, validity, binding effect or enforceability of any Transaction Document.

*Compliance with Laws and Other Agreements.*

The Borrower is in material compliance with the requirements of Applicable Law (including, for the avoidance of doubt, the Investment Company Act, the Securities Act of 1933 and the Exchange Act) and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which such requirement of Applicable Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted.

The borrowing of the Loans, the application of the proceeds and repayment thereof by the Borrower and the consummation of the transactions contemplated by the Transaction Documents are not prohibited by the provisions of the Investment Company Act, as well as all rules, regulations and orders issued by the SEC thereunder.

*Binding Effect.* This Agreement and the other Transaction Documents are legal, valid and binding obligations of the Borrower, duly executed and enforceable against the Borrower in all respects, subject to Debtor Relief Laws and general equity principles.

*No Default.* No Default has occurred and is continuing.

*Financial Statements; No Material Adverse Effect.*

The Borrower's audited financial statements for the fiscal year ended December 31, 2020 were prepared in accordance with Appropriate Accounting Principles consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and fairly present in all material respects the financial condition of the Borrower as of the date thereof and the results of operations and cash flows for the period covered thereby in accordance with Appropriate Accounting Principles consistently applied throughout the period covered thereby, except as otherwise expressly noted therein.

Since the later of (i) December 31, 2020 and (ii) the most recently ended fiscal year for which annual reports have been prepared for Borrower and delivered to the Agent under Section 5(b)(i), no event or condition has resulted in, or would be reasonably

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

expected to cause, either individually or in the aggregate, a Material Adverse Effect, and no Regulatory Event has occurred and is continuing.

*Absence of Litigation.* There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower or against any of its properties or revenues that (i) are reasonably likely to result in a Material Adverse Effect or (ii) challenge the legality, validity or enforceability of this Agreement, the Security Agreement or any other Transaction Document.

*Margin Regulations.* The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying Margin Stock, or extending credit for the purpose of purchasing or carrying Margin Stock, and no part of the proceeds of any Loan hereunder will be used to buy or carry any Margin Stock.

*Investment Company Act.* ~~As of the Closing Date, the~~The Borrower is ~~a closed-end management not an~~ “investment company that has elected to be regulated as a BDC” as defined in, or subject to regulation under, the Investment Company Act. ~~None of the Lenders nor the Agent is an “affiliated person”, “promoter” or “principal underwriter” of the Borrower within the meaning of the Investment Company Act. As of the Closing Date, the Borrower’s investment activities are managed by the Investment Advisor.~~ of 1940.

*Ownership of Property.* The Borrower has good and marketable title to the Collateral, free and clear of Liens other than as are created under the Security Agreement and Permitted Liens. The Borrower has not made any currently effective registrations, filings or recordations in any jurisdiction evidencing a security interest in any of the Collateral including, but not limited to, the filing of a register of mortgages, charges and other encumbrances or filings of UCC-1 financing statements other than with respect to Permitted Liens.

*Taxes.* The Borrower has filed all U.S. federal income tax returns and all other material tax returns which are required to be filed by it in all jurisdictions except to the extent not delinquent (after giving effect to any extension granted by the applicable tax authority) and has paid all federal and all other material taxes, assessments, claims, governmental charges or levies imposed on it or its properties, except to the extent not yet due and payable or for which the amount or validity of which are currently being contested in good faith by appropriate proceedings, or as otherwise permitted herein. The Borrower has not entered into an agreement or waiver or been requested to enter into an agreement or waiver extending any statute of limitations relating to the payment or collection of taxes of the Borrower and is not aware of any circumstances that would cause the taxable years or other taxable periods of the Borrower not to be subject to the normally applicable statute of limitations.

*Solvency.* (i) The present fair market value of the Borrower’s assets taken as a whole exceeds the total amount of the Borrower’s liabilities taken as a whole (including, without limitation, contingent liabilities); (ii) the Borrower has capital and assets, which taken as a whole, are sufficient to carry on its businesses; (iii) the Borrower has not engaged and will not engage in a business or a transaction for which its remaining assets are unreasonably small in

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---



relation to such business or transaction; and (iv) the Borrower does not intend to incur and believes that it will not incur debts beyond its ability to pay as they become due. The Borrower will not be rendered insolvent by the execution, delivery and performance of the Transaction Documents or by the consummation of the transactions contemplated under this Agreement.

*No Sovereignty.* The Borrower has no right of immunity on the grounds of sovereignty or otherwise from jurisdiction of any court or from setoff or any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under Applicable Law of any jurisdiction.

*Full Recourse.* The Loans are made with full recourse to the Borrower and constitute direct, unconditional, unsubordinated, senior secured Indebtedness of the Borrower subject to Permitted Liens.

*Disclosure.* All information contained in any Transaction Document or any other documents, certificates or written statements provided by or on behalf of the Borrower to the Agent or the Lenders in connection with the negotiation, execution and delivery of this Agreement and the other Transaction Documents or the transactions contemplated hereby and thereby including, but not limited to, any financial statements of the Borrower provided to the Agent or the Lenders (other than any projections or forward looking statements, pro forma financial information, information of a general economic or general industry nature and all third party information and reports), when taken as a whole, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not materially misleading in light of the time and circumstances under which such statements were made. All written financial projections with respect to the Borrower that have been prepared by or on behalf of the Borrower and that have been made available to the Agent by or on behalf of the Borrower in connection with this Agreement have been prepared in good faith based on assumptions believed by the Borrower to be reasonable at the time of delivery thereof, it being recognized by the Agent and the Lenders that such projections are as to future events and are not to be viewed as facts, the projections are subject to significant uncertainties and contingencies, many of which are beyond the control of the Borrower and any of its Affiliates, that no assurance can be given that any particular projections will be realized and that actual results during the period or periods covered by such projections may differ from such projections and such differences may be material.

*Licenses; Approvals.* All licenses, permits, approvals, concessions or other authorizations material to the conduct of the business of the Borrower have been duly obtained and are in full force and effect, except where the failure of which would not reasonably be expected to have a Material Adverse Effect.

*Environmental Matters.* Except with respect to any matters that, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, the Borrower (a) has not failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (b) knows of no basis for any permit, license or other approval required under any Environmental Law to be revoked, canceled, limited, terminated, modified, appealed or otherwise challenged, (c) has not

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

or could reasonably not be expected to become subject to any Environmental Liability, (d) has not received written notice of any claim, complaint, proceeding, investigation or inquiry with respect to any Environmental Liability (and no such claim, complaint, proceeding, investigation or inquiry is pending or, to the knowledge of the Borrower, is threatened in writing) and (e) knows of no facts, events or circumstances that could give rise to any basis for any Environmental Liability of the Borrower.

*Investment Policies and Restrictions.* Since the date of the Borrower's most recent annual Form 10-K filing, there have been no changes in the Investment Policies and Restrictions. To date, the Borrower's investments have been in compliance with the Investment Policies and Restrictions in all material respects at all times.

*ERISA.*

(i) As of the date hereof, the Borrower has no liability under or with respect to any Plan, Pension Plan or Multiemployer Plan. There are no pending or, to the knowledge of the Borrower, threatened in writing claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that, either individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect.

(ii) No ERISA Event has occurred, and neither the Borrower nor any ERISA Affiliate is aware of any fact, event or circumstance that, either individually or in the aggregate, could reasonably be expected to constitute or result in an ERISA Event with respect to any Pension Plan that, either individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect.

(iii) The Borrower is not and is not acting on behalf of (A) an "employee benefit plan" as defined in Section 3(3) of the ERISA, that is subject to Title I of ERISA, (B) a "plan" as defined in and subject to Section 4975 of the Code, (C) any entity deemed to hold "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise), or (D) any entity that is subject to state statutes regulating investments of, and fiduciary obligations with respect to, governmental plans (as such term is defined in Section 3(32) of ERISA), that would be violated by the transactions contemplated by this Agreement.

(iv) The Borrower acknowledges and agrees that neither the Lenders nor the Agent nor any representatives of the Lenders or the Agent has acted or shall act as a "fiduciary" within the meaning of ERISA with respect to the assets of the Borrower (including in connection with the retention or exercise of its rights under any Transaction Document) and neither the Lenders nor the Agent nor any representative of the Lenders or the Agent has or will have rendered, or has any authority to render, any advice with respect to any investments of the Borrower.

*Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions.* The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower and its directors, officers and employees with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions, and to the Borrower's knowledge, each of the Borrower's officers, employees, directors agents and affiliates are in compliance with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions and are not engaged in any activity that would reasonably be expected to result in the Borrower being designated as a Sanctioned Person. Neither the Borrower nor its respective directors, officers, employees, agent or affiliates is a Sanctioned Person. No Loan, use of proceeds or other transaction contemplated by this Agreement or the other Transaction Documents will violate any Anti-Corruption Law, Anti-Terrorism Law or applicable Sanctions.

*No Subsidiaries.* The Borrower does not have any Subsidiaries.

*Accounts.* Schedule 4(w) sets forth each Custody Account, Deposit Account, Securities Account and Commodities Account of the Borrower. Except for Excluded Accounts, each Custody Account, Deposit Account, Commodity Account and Securities Account of the Borrower is subject to a Control Agreement.

*Insurance.* Each insurance policy required to be maintained by Section 5(p) is in full force and effect and all premiums in respect thereof that are due and payable have been paid.

~~(y) REIT Status. The Borrower has been organized and has operated in conformity with the requirements for qualification and taxation as a REIT under the Code and all applicable Treasury Regulations promulgated thereunder for each of its taxable years beginning with its taxable year ended December 31, 2018.~~

## AFFIRMATIVE COVENANTS

So long as a Lender shall have any Loan Commitment hereunder, or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied:

*Existence.* Except as otherwise permitted by Section 6(c), the Borrower shall (x) preserve and maintain its corporate existence and (y) do all things necessary to preserve, renew and keep in full force and the rights, licenses, permits, privileges and franchises necessary for the conduct of its business, in each case, except in connection with a transaction not prohibited by this Agreement and the other Transaction Documents; provided that the Borrower shall not be required to preserve any such right, license, permit, privilege or franchise if the Borrower determines that the preservation thereof is no longer desirable in the conduct of its business, and that the loss thereof is not disadvantageous in any material respect to the Borrower or to the Lenders.

LEGAL\_US\_E # ~~171549701.1~~171549701.5

*Reporting Requirements.* The Borrower will furnish to the Agent or cause to be furnished to the Agent:

as soon as available, but in any event within one hundred twenty (120) days after the end of each fiscal year of the Borrower, a balance sheet of the Borrower as at the end of such fiscal year, and the related statements of income or operations and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with Appropriate Accounting Principles, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Agent (it being understood and agreed that KPMG LLP is reasonably acceptable to the Agent), which report and opinion shall be prepared in accordance with Appropriate Accounting Principles and shall not be subject to any “going concern” or like qualification or exception or any qualification or exception as to the scope of such audit (provided that such report may contain a “going concern” statement solely as a result of an impending maturity within 12 months of any Loans);

as soon as available and in any event within forty-five (45) days following the end of each fiscal quarter (beginning with fiscal quarter ending March 31, 2021), (x) a Valuation Statement as of the last day of the fiscal quarter most recently ended and (y) a Compliance Certificate duly executed by a Responsible Officer of the Borrower that (A) states that no Default or Event of Default is continuing as of the date of delivery of such Compliance Certificate or, if a Default or Event of Default is continuing, states the nature thereof and the action that the Borrower proposes to take with respect thereto and (B) if applicable, supplements Schedule 4(W) with respect to any new accounts of the Borrower or any other modification to Schedule 4(W) delivered on the Closing Date or any other subsequent supplements with respect thereto;

within five (5) Business Days after a Responsible Officer of the Borrower obtains actual knowledge of the occurrence of (x) a breach of the Financial Covenant or Event of Default or (y) a missed cash payment or forbearance involving one or more of the Borrower's material Investment Assets (it being understood and agreed that one or more Investment Assets that individually or collectively exceeds 15% of the Borrower's investment portfolio shall be deemed material);

within five (5) Business Days after any request by the Agent, copies of any detailed final audit reports, management letters or recommendations submitted to the Borrower by independent accountants in connection with the accounts or books of the Borrower;

promptly after filing thereof with the SEC or the delivery thereof to the shareholders of the Borrower, copies of all annual, quarterly and other periodic reports to shareholders, registration statements and prospectuses (including any amendments or supplements thereto), non-routine proxy statements, financial statements and other materials of a financial or otherwise material nature so delivered; provided that the

reports required to be delivered pursuant to this clause (v) shall be deemed to have been delivered if such information shall be available on the website of the SEC;

within five (5) Business Days of receipt by the Borrower or the Investment Advisor of any notice or communication from the Custodian that includes a notice of demand, notice of default or notice of exercise of set-off rights), copies of all such notices and communications; and

within five (5) Business Days after written request therefor, (x) such other business and financial information respecting the condition or operations, financial or otherwise, of the Borrower as the Agent may from time to time reasonably request (subject to any applicable obligations of confidentiality) and (y) information and documentation requested by the Agent, or any Lender through the Agent, as reasonably required for the Agent or such Lender to comply with applicable “know your customer” requirements under the USA PATRIOT Act or other applicable anti-money laundering laws.

Documents required to be delivered pursuant to this Section 5(b) may be delivered electronically to the Agent and if so delivered, shall be deemed to have been delivered on the date (A) on which the Borrower posts such documents, or provides a link thereto on the Borrower’s website on the Internet; or (B) on which such documents are posted on the Borrower’s behalf on an Internet or intranet website, if any, to which the Agent has access (whether a commercial, third-party website or whether sponsored by the Agent).

#### *Valuation Methodology.*

The Borrower shall comply in all material respects with the Valuation Methodology.

Unless the Agent reasonably consents to a replacement valuation agent, the Investment Adviser shall at all times use the valuation agent that is in place on the Closing Date.

*Use of Proceeds.* The Borrower shall use the proceeds of the Loans to fund new investments and for general corporate purposes of the Borrower. Without limiting the foregoing, Borrower will not, directly or indirectly, use any part of such proceeds for any purpose which would violate any provision of its registration statement or any Applicable Law.

*Payment of Obligations.* The Borrower shall pay and discharge as the same shall become due and payable: (i) all federal and other material taxes, assessments, claims and governmental charges or levies imposed upon it or upon its property; *provided, however*, that the Borrower shall not be required to pay or discharge any such tax, assessment, claim, charge or levy so long as and to the extent that (x) the same is being diligently contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, (y) the same is the subject of an extension granted by the applicable tax authority or (z) such taxes, assessments, claims, charges and levies do not at any time exceed \$500,000 in the aggregate for the Borrower

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

for which the Borrower may be or become liable or to which any of its properties may be or become subject; (ii) all lawful claims which, if unpaid, would become a Lien on its property (other than Permitted Liens); and (iii) all other obligations, liabilities and Indebtedness (other than lawful claims, obligations, liabilities and Indebtedness below the Threshold Amount), as and when due and payable.

*Lender Meetings.* The Borrower shall at any reasonable time during normal business hours and upon reasonable prior written notice, from time to time permit the Lenders, the Agent or any agent or representative thereof to (i) visit the properties and offices of the Borrower and discuss the affairs, finances, assets and accounts of the Borrower with any of the officers, directors or other representatives of the Borrower and (ii) discuss the affairs, finances, assets and accounts of the Borrower with the Borrower's independent certified public accountants (provided that the Agent and the Lenders shall give the Borrower reasonable prior written notice and the opportunity to participate in any discussions with Borrower's independent accountants or any other non-employees), and to examine and make copies of and abstracts from their records and books of account, all at the expense of the Borrower; *provided, however*, that (1) unless an Event of Default is in existence, the Borrower shall have no obligation to pay for meetings conducted under this paragraph in excess of once per calendar year and the cost of which does not exceed \$5,000, and (2) during the existence of an Event of Default, the Lenders, the Agent or any agent or representative thereof may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice. In addition, upon request of the Agent or the Lenders, the Borrower will conduct a meeting (which may be held telephonically or by videoconference) with the Agent and the Lenders at a time and place to be reasonably agreed to discuss the most recently reported financial results and the financial condition of the Borrower and any other matters reasonably requested to be discussed by the Agent or the Lenders, at which meeting there shall be present a responsible financial officer and such other officers of the Borrower as may be reasonably requested to attend by the Agent or the Lenders.

*Collateral Requirement.* The Borrower shall take such actions as are necessary or as the Agent shall reasonably request from time to time to comply with the Collateral Requirement (subject to any exception or exclusion expressly set forth herein or in any Security Document), and shall promptly notify the Agent upon having knowledge that the Lien of the Agent pursuant to the Security Documents has been materially impaired.

*Keeping of Books.* The Borrower shall keep proper books of record and account as are necessary to prepare financial statements in accordance in all material respects with Appropriate Accounting Principles.

*Compliance with Investment Company Act.* ~~For so long as the~~The Borrower ~~is regulated as a BDC~~shall not become an "investment company" as defined in, or subject to regulation under, the Investment Company Act, ~~the Borrower shall comply with (i) Section 18 of the Investment Company Act, as made applicable to BDCs pursuant to Section 61 of the Investment Company Act and (ii) all other requirements of the Investment Company Act applicable to BDCs, unless with respect to clause (ii), the failure to comply therewith would not reasonably be expected to result in a Material Adverse Event. The Borrower will give the Agent twenty (20)~~



~~days prior written notice before changing its election to be regulated as a BDC under the Investment Company Act of 1940.~~

*Compliance with Other Laws.* The Borrower shall comply (i) with the requirements of all other Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (A) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (B) the failure to comply therewith would not reasonably be expected to result in a Material Adverse Effect, and (ii) in all material respects with all Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions.

*Compliance with Investment Policies and Restrictions and Advisory Agreement.*

The Borrower shall comply with the Investment Policies and Restrictions in all material respects at all times.

The Borrower shall (and shall cause the Investment Adviser to) comply with the Advisory Agreement in all material respects.

*Material Agreements.* The Borrower shall comply with the terms of each provision of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other material agreement or instrument to which the Borrower is a party or by which the Borrower or any of its properties or assets is bound in which the failure to comply would reasonably be expected to result in a Material Adverse Effect.

*Accounts.*

The Borrower shall maintain all its Investment Assets in the Custody Account or such other account that is subject to a Control Agreement and (A) upon delivery by the Agent to the Custodian or other depository institution of a “Notice of Exclusive Control” or similar notice (as may be required by the applicable Control Agreement), cease all trading and other activities with respect to the Custody Account or such other account that is subject to a Control Agreement, and (B) ensure delivery by the Custodian or other depository institution of a means (website access, daily reports) of allowing the Agent to monitor, on a real-time basis, all cash movements and other activities occurring in the Custody Account.

After the Closing Date, the Borrower shall not, directly or indirectly, establish any new Custody Account, Deposit Account, Commodity Account or Securities Account unless such new account either (A) concurrently becomes subject to a Control Agreement or (B) is an Excluded Account.

*Further Assurances; Additional Subsidiaries.*

The Borrower agrees that upon the request of the Agent, it shall execute and/or deliver any additional agreements, documents and instruments, and take such further

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

actions as the Agent may reasonably deem necessary (i) to assure the Agent and/or the Lenders have a first priority perfected lien on the Collateral and (ii) to carry out the provisions and purposes of the Transaction Documents, in each case subject to any exception or exclusion expressly set forth herein (including, for the avoidance of doubt, with respect to Permitted Liens) or in any Security Document. Such agreements, documents or instruments or actions shall be reasonably satisfactory, in form and substance, to the Agent.

If any Subsidiary is formed or acquired by the Borrower, the Borrower will take or cause to be taken the following actions as soon as possible but in any case not later than 10 days (or such later date as the Agent may permit in its reasonable discretion) after the date on which such Subsidiary is created or acquired: (x) cause such Subsidiary to (A) execute and deliver to the Agent a joinder agreement and thereby become a “Borrower” hereunder, (B) execute and deliver to the Agent a counterpart to the Security Agreement and thereby become a party thereto as a “Grantor” thereunder and grant to the Agent a first priority Lien on all “Collateral” of such Subsidiary thereunder, (C) take such other action as shall be reasonably necessary to create and perfect valid and enforceable first priority Liens in favor of the Agent on all or substantially all of the assets of such Subsidiary consistent with the provisions of this Agreement and the other Transaction Documents and (D) deliver proof of corporate action, incumbency of officers and other documents and opinions as is substantially consistent with those delivered by the Borrower pursuant to Section 3(a) as of the Closing Date and (y) execute and deliver to the Agent such Control Agreement, such pledge agreements or such addenda or amendments to the Security Agreement and take such other actions (including delivering the certificates representing such shares of stock or other equity interests to the Agent) as shall be reasonably necessary to create and perfect valid and enforceable first priority Liens in favor of the Agent on all of the issued and outstanding stock or other equity interests of Subsidiary, all of the foregoing to be in form and substance reasonably satisfactory to the Agent.

*Rating Confirmation.* The Borrower shall, at its sole cost and expense, cause to be maintained at all times during the term of this Agreement the Loan Rating. The Borrower shall provide the NRSRO with any information as to the Loans as may be reasonably requested by the NRSRO in connection with such Loan Rating. The Borrower further shall provide evidence of the Loan Rating from the NRSRO, which evidence shall be in a form that may be provided to the Securities Valuation Office of the National Association of Insurance Commissioners, to the Agent at least annually.

*Insurance.* The Borrower shall maintain insurance, with financially sound and reputable insurance companies, as may be required by law and such other insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses.

LEGAL\_US\_E # 171549701.1 171549701.5

~~<sup>1</sup>REIT Status. At all times prior to the calendar year in respect of which a REIT Status Termination Date occurs: (i) the Borrower will take all commercially reasonable action that will cause it to continue to qualify as a REIT, (ii) the Borrower will maintain adequate records so as to comply with all record-keeping requirements relating to its qualification as a REIT as required by the Code and applicable Treasury Regulations promulgated thereunder and will properly prepare and timely file with the Internal Revenue Service all returns and reports required thereby to qualify as a REIT each year, (iii) the Borrower will request from its shareholders all information required by the Code and applicable Treasury Regulations promulgated thereunder; and (iv) the Borrower will deliver to the Agent, within ten (10) days of filing, certified true and complete copies of any documents filed with the Internal Revenue Service or other Governmental Authority confirming the continued qualification and taxation of the Borrower as a REIT. The Borrower will give the Agent twenty (20) days prior written notice of a REIT Status Termination Date and~~Pass-Through Tax Status. The Borrower will at all times during the term of this Agreement maintain a pass-through tax status.

## NEGATIVE COVENANTS

So long as a Lender shall have any Loan Commitment hereunder, or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied:

*Indebtedness.* The Borrower shall not create, incur, assume or suffer to exist any Indebtedness other than Permitted Indebtedness. Notwithstanding the foregoing, on and after the Amendment No. 2 Effective Date, the Borrower shall not, directly or indirectly, create, incur or assume any Indebtedness other than any Permitted Refinancing.

*Liens.* The Borrower shall not create, incur, assume or suffer to exist any Lien upon any of its assets, including the Collateral, except Permitted Liens. For the avoidance of doubt, any assets of the Borrower shall constitute Collateral and shall be pledged in favor of the Agent subject to Permitted Liens.

*Mergers, Etc.* The Borrower shall not merge or consolidate with or into another Person, or convey, transfer, lease or otherwise dispose of, whether in one transaction or in a series of transactions, all or substantially all of its property and assets (whether now owned or hereafter acquired), except that in the case of any such transaction involving the Borrower, the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of the Borrower as an entirety, as the case may be, shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or any state thereof (including the District of Columbia), and, if the Borrower is not such corporation or limited liability company, (i) such corporation or limited liability company shall have executed and delivered to the Agent its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the other Transaction Documents and (ii) such corporation or limited liability company shall have caused to be delivered to the Agent an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

Required Lenders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof.

*Line of Business.* The Borrower shall not engage to a material extent in any business other than as described in its Organization Documents and the most recently filed Form 10-K.

*No Amendment of Investment Policies and Restrictions, Valuation Methodology, Organization Documents.* The Borrower shall not agree to or otherwise permit to occur (without prior notice to, and the prior written consent of, the Agent or the Lenders, which consent shall not be unreasonably withheld in any respect to proposed amendment referenced in the succeeding clause (i) if such amendment is not materially adverse to the Agent or the Lenders) any amendment, supplement or other modification of any of the terms or provisions of its Investment Policies and Restrictions, Valuation Methodology or Organization Documents, in each case (i) relating to valuation of assets or (ii) that (A) would reasonably be expected to adversely affect the rights and remedies of the Lenders or the Agent under any Transaction Document in any material respect, (B) would reasonably be expected to result in a Material Adverse Effect, or (C) otherwise fails to comply with the terms of this Agreement or any other Transaction Document.

*Distributions, Equity Repurchases and Redemptions.* The Borrower will not declare or make any dividend payment or other distribution of assets, property, Cash, rights, obligations or securities on account of any Borrower Equity Interests ~~if immediately before and after giving effect thereto, a breach of the Financial Covenant or any other Event of Default has occurred and is continuing or would be caused thereby~~; *provided* that, notwithstanding the foregoing, the Borrower shall be permitted to declare or make a dividend payment or other distribution comprised of shares of the Borrower's common stock and/or the minimum amount of cash necessary for Parent to maintain ~~the Borrower's~~REIT status ~~as a REIT~~ (subject in all cases to Section 6(g) of this Agreement). In addition, the Borrower will not purchase, redeem, retire, or otherwise acquire for value any Borrower Equity Interests, whether now or hereafter outstanding, ~~if immediately before and after giving effect thereto, a breach of the Financial Covenant or any other Event of Default has occurred and is continuing or would be caused thereby~~.

*Dividend Declarations.* The Borrower will not declare any dividend or distribution that (i) would be paid or scheduled to be paid more than three (3) months from the date of such declaration or (ii) exceeds the Borrower's reasonably estimated taxable income for the relevant taxable period. Notwithstanding the foregoing, clause (ii) of this Section 6(g) shall not limit any dividend, payment or distribution necessary to maintain the ~~Borrower's~~Parent's REIT status, to avoid income tax and to avoid excise tax pursuant to Section 4981 of the Code.

*Prepayments on Permitted Indebtedness.* The Borrower shall not make regularly scheduled interest payments in respect of any Permitted Indebtedness, if immediately before and after giving effect to such payment, a breach of the Financial Covenant, Default or Event of Default would exist. The Borrower shall not prepay, redeem, repurchase, purchase, defease or otherwise make any prepayments of principal on any Permitted Indebtedness prior to its scheduled maturity (as in effect on the Closing Date to the extent such Permitted Indebtedness exists on the Closing Date), except that the Borrower may consummate a Permitted Refinancing

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

of any Permitted Indebtedness. Notwithstanding the foregoing, this Section 6(h) shall not apply to the Loans.

*Custodian.* The Borrower shall not enter into any other custody agreement or equivalent arrangement relating to the Collateral with any Person other than the Custodian without the prior written consent of the Agent.

*Investments.* The Borrower shall not purchase, hold or acquire any Investment, except in accordance with the Investment Policies and Restrictions.

*Use of Proceeds.*

The Borrower shall not use the proceeds of any Loan, whether directly or indirectly, and whether immediately, incidentally or ultimately, in a way that would violate Regulation T, Regulation U or Regulation X.

The Borrower will not request any Loan, and the Borrower shall not use, and shall procure that the directors, officers, employees and agents of the Borrower shall not use, the proceeds of any Loan (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or Anti-Terrorism Laws, (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country in violation of Sanctions, or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

*Restrictive Agreements.* The Borrower shall not, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of the Borrower to create, incur or permit to exist any Lien under the Transaction Documents upon any of its property other than (i) restrictions or conditions imposed by Law or this Agreement or the other Transaction Documents, (ii) customary restrictions contained in leases, licenses and other contracts restricting the assignment thereof not subject to a waiver and (iii) any restrictions pursuant to any document, agreement or instrument governing or relating to any Underlying Instrument, Permitted Lien or the Participations.

*Transactions with Affiliates.* The Borrower shall not enter into any transaction, including, without limitation, any purchase, sale, [transfer](#), lease or exchange of property or the rendering of any service, with any Affiliate; provided, the foregoing restriction shall not apply to (i) ~~any transaction that is permitted under any exemptive rule or exemptive relief order granted to the Borrower pursuant to the Investment Company Act, or any applicable no-action letter guidance provided by the SEC,~~[\[reserved\]](#) and (ii) any other transaction that (A) ~~is not in violation of the Investment Company Act~~[\[reserved\]](#), (B) is in the ordinary course of the Borrower's business, and (C) [is](#) on fair and reasonable terms substantially as favorable to the Borrower as would be obtainable by the Borrower at the time in a comparable arm's length transaction with a Person other than an Affiliate.



*Instructions to Obligors.* The Borrower shall not make any change, or permit the Investment Adviser to make any change, in its instructions to administrative or payment agents or any Obligors regarding payments to be made with respect to the Collateral to the Custody Account, unless the Agent has given prior written consent to such change or such change would not be adverse to the Agent or the Lenders in any material respect.

*Accounting.* The Borrower shall not change its (i) accounting policies or financial reporting practices except as required or permitted by Appropriate Accounting Principles or (ii) fiscal year, in each case unless agreed to by the Agent in writing.

## **FINANCIAL COVENANT.**

*Minimum Asset Coverage Ratio.* The Borrower shall not permit the Asset Coverage Ratio to be less than 200% as of the last day of any fiscal quarter, beginning with the fiscal quarter ending March 31, 2021 (the “*Financial Covenant*”). The calculations performed by the Investment Adviser for purposes of determining the Borrower’s compliance with the Financial Covenant shall comply with the Valuation Methodology. Notwithstanding the foregoing, in the event that the Agent believes in good faith that (x) the Investment Adviser’s calculation of Total Assets is not representative of fair value and (y) as a result, the Borrower may be in breach of the Financial Covenant, the Agent may engage, at Borrower’s sole cost and expense, Houlihan Lokey Financial Advisors, Inc. (or another third party valuation adviser acceptable to the Agent) (such advisor, the “*Valuation Adviser*”) to value the Collateral for purposes of conducting the calculations of the Financial Covenant; provided, that if the Valuation Adviser determines a range of potential values (rather than a specific mark) for an asset, then the value assigned to such asset shall be the mid-point of the range. In the event the calculations by the Valuation Adviser result in the Borrower’s breach of the Financial Covenant, the Valuation Adviser shall continue to value the Collateral for purposes of such calculations until the Asset Coverage Ratio exceeds 215%. The Borrower agrees to cooperate with the Valuation Adviser, including promptly providing the Valuation Adviser with such information and materials as it may reasonably request in connection with its valuation of the Collateral.

## **EVENTS OF DEFAULT AND REMEDIES**

If any of the following events (each, an “*Event of Default*”) shall occur:

*Payment Default.* The Borrower shall fail to pay (i) any of the outstanding principal of any Loan when due; (ii) any accrued interest on any Loan within three (3) Business Days after the due date; (iii) fees owing pursuant to Section 2(g)) within five (5) Business Days after the due date or (iv) other amounts or fees owing pursuant to the Transaction Documents within thirty (30) days following the Borrower’s receipt of a reasonably detailed invoice therefor;

*Specific Covenants.* The Borrower shall fail to perform or observe any term, covenant, or agreement contained in (i) Section 5(a), (b)(i), (b)(ii), (b)(v), (d), (m) or Section 6 and such failure remains uncured for a period of at least fifteen (15) days; *provided* that the Agent, in its sole discretion, may extend the foregoing grace period based on a satisfactory plan being

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

submitted by the Borrower to cure such failure; and (ii) Section 7 and the Borrower has failed to cure the breach of such Financial Covenant in accordance with Section 2(d)(i);

*Failure to Pay Custodian.* The Borrower shall fail to pay to the Custodian any fees, expenses or charges, payable by the Borrower under the Custody Agreement and such failure entitles the Custodian to seek repayment of such fees, expenses or charges from the Custody Account;

*Default under Transaction Documents.* The Borrower shall fail to perform or observe any term, covenant or agreement contained in this Agreement or any other Transaction Document (in each case, not otherwise specified in Subsections (a), (b) and (c) above) to which such Person is a party, to be performed or observed by the Borrower and such failure remains unremedied for thirty (30) days after the earlier of (i) receipt by Borrower of written notice from the Agent of such default and (ii) any Responsible Officer of the Borrower obtaining actual knowledge of such default, *provided* that the Agent, in its sole discretion, may extend the foregoing grace period based on a satisfactory plan being submitted by the Borrower to cure such failure;

*Representations and Warranties.* Any representation, warranty or certification made or deemed made by or on behalf of the Borrower herein or in any other Transaction Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder shall be incorrect or misleading in any material respect when made or deemed made (except for any representation or warranty that is qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects); *provided* that the failure of any representation, warranty or certification to be true when made or deemed made will not constitute an Event of Default hereunder or under any other Transaction Document if (i) such failure is capable of being cured, (ii) such failure is cured within thirty (30) days after the Borrower has knowledge thereof and (iii) such failure has not had and would not be reasonably be expected to have during such 30-day period a Material Adverse Effect;

*Invalidity of Transaction Documents.* Any provision of any Transaction Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or the payment in full in cash of all the Obligations, ceases to be in full force and effect; or the Borrower, the Custodian, any Governmental Authority or any investor in the Borrower or any Affiliate of the Borrower contests in any manner the validity or enforceability of any provision of any Transaction Document; or the Borrower denies that it has any or further liability or obligation under any Transaction Document, or purports to revoke, terminate or rescind any provision of any Transaction Document;

*Cross-Default.* The Borrower (i) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise and after giving effect to any applicable notice requirement, grace period or waiver) in respect of any Indebtedness (other than Indebtedness hereunder) and the aggregate outstanding principal amount for or in respect of such Indebtedness exceeds the Threshold Amount, or (ii) fails to observe or perform any other agreement or condition relating to any Indebtedness in excess of the Threshold Amount or contained in any instrument or agreement evidencing, securing or

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

relating thereto, the effect of which is to cause, or to permit the counterparty, holder or holders, or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such Persons) to cause, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise) after giving effect to any applicable notice requirement, grace period or waiver;

*Inability to Pay Debts; Attachment; Insolvency Proceedings, Etc.* (i) The Borrower becomes unable or admits in writing its inability or fails generally to pay its debts as they become due; (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of the Borrower and is not released, vacated or fully bonded within sixty (60) days after its issue or levy; (iii) the Borrower institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; (iv) any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of the Borrower and the appointment continues undischarged or unstayed for sixty (60) days; (v) any proceeding under any Debtor Relief Law relating to the Borrower or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for sixty (60) days, or an order for relief is entered in any such proceeding; or (vi) the Borrower shall take any action to authorize any of the actions set forth above in this Section 8(h);

*Judgments.* There is entered against the Borrower one or more final judgments or orders for the payment of money in an aggregate amount (as to all such judgments or orders) exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) and such judgment or order shall continue unsatisfied or unstayed for thirty (30) days;

*ERISA.* One or more ERISA Events shall have occurred that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect;

*[Intentionally Reserved.]*

*Lien Defects.* The Collateral Requirement shall cease to be satisfied, as determined by the Agent in its sole discretion acting in good faith, or the Lenders and/or the Agent shall cease to have a first priority perfected lien on the Collateral (subject to Permitted Liens);

then, and during the occurrence of such event, the Agent may upon written notice to the Borrower (i) declare the Loans, all accrued interest thereon, all fees and all other accrued amounts payable under this Agreement and the other Transaction Documents to be forthwith due and payable, whereupon the Loans, all such interest and fees and all such other amounts hereunder and under the Transaction Documents shall become forthwith due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower and (ii) declare the obligation of the Lenders to make any Loan to be terminated, whereupon the same shall forthwith terminate; *provided, however*, that upon the occurrence of any event in Section 8(h), (x) the Loans, all accrued interest and all accrued other

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

amounts payable, including fees, under this Agreement and under the other Transaction Documents shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower and (y) the obligation of the Lenders to make Loans shall automatically be terminated.

In addition to the foregoing, upon the occurrence and during the continuance of an Event of Default, the Agent may, at its option, (A) deliver the requisite notice in accordance with the Control Agreement with respect to the Custody Account to provide the Agent with exclusive control, (B) instruct the Custodian to transfer the whole or any part of the Collateral with a Market Value not in excess of the Obligations then outstanding into the name of the Agent or the name of its nominee, (C) notify the Obligors on any Collateral to make payment directly to the Agent or its nominee of any amounts due thereon, (D) take control or grant its nominee the right to take control of any proceeds of the Collateral, (E) liquidate any or all of the Collateral and/or (F) withdraw and/or sell any or all of the Collateral and apply any such Collateral as well as the proceeds of any such Collateral to all unpaid Obligations in such order as the Agent determines in its sole discretion, and exercise any other rights and remedies under any Transaction Document, at law or in equity. The Borrower will be responsible for any decrease in the value of the Collateral occurring prior to liquidation.

## MISCELLANEOUS

*Effectiveness.* This Agreement shall become effective on the Closing Date.

*Amendments, waivers, etc.* No amendment or waiver of any provision of this Agreement or any other Transaction Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing executed by the Borrower and the Required Lenders, and acknowledged by the Agent, or by the Borrower and the Agent with the consent of the Required Lenders, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no such amendment, waiver or consent shall:

extend or increase any Loan Commitment of any Lender without the written consent of such Lender (it being understood that a waiver of any condition precedent set forth in Section 3 or the waiver of any Default shall not constitute an extension or increase of any Loan Commitment of any Lender);

reduce the principal of, or rate of interest specified herein on, any Loan, or any fees or other amounts payable hereunder or under any other Transaction Document, without the written consent of each Lender directly and adversely affected thereby (*provided* that only the consent of the Required Lenders shall be necessary (x) to amend the definition of “Default Rate” or to waive the obligation of the Borrower to pay interest at the Default Rate or (y) to amend the Financial Covenant, even if the effect of such amendment would be to reduce the rate of interest on any Loan or other Obligation or to reduce any fee payable hereunder);

postpone any date scheduled for any payment of principal of, or interest on, any Loan, or any fees or other amounts payable hereunder or under any other Transaction

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---



Document, or reduce the amount of, waive or excuse any such payment, without the written consent of each Lender directly and adversely affected thereby;

change Section 2(j) or Section 2(n) in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender directly and adversely affected thereby;

waive any condition set forth in Section 3(a) without the written consent of each Lender; or

change any provision of this Section or the percentage in the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

*provided, further*, that no such amendment, waiver or consent shall amend, modify or otherwise affect the rights or duties hereunder or under any other Transaction Document of the Agent, unless in writing executed by the Agent, in each case in addition to the Borrower and the Lenders required above.

In addition, notwithstanding anything in this Section to the contrary, if the Agent and the Borrower shall have jointly identified an obvious error or any error or omission of a technical nature, in each case, in any provision of the Transaction Documents, then the Agent and the Borrower shall be permitted to amend such provision, and, in each case, such amendment shall become effective without any further action or consent of any other party to any Transaction Document if the same is not objected to in writing by the Required Lenders to the Agent within ten (10) Business Days following receipt of notice thereof.

#### *Notices and Other Communications.*

Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission and electronic mail) and delivered to such numbers or addresses set forth on the relevant signature blocks hereto or as given from each party to the other in writing from time to time; *provided* that electronic mail may be used only to distribute routine communications, such as financial statements and other information as provided in Section 5(b). All notices and other communications shall be deemed to be effective upon receipt. The Lenders and the Agent shall be entitled to rely and act upon any notices purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof.

The Borrower hereby acknowledges that certain of the Lenders (each, a “*Public Lender*”) may have personnel who do not wish to receive material non-public information

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

with respect to the Borrower or its securities, and who may be engaged in investment and other market-related activities with respect to the Borrower's securities. The Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the materials and information provided by or on behalf of the Borrower hereunder and under the other Transaction Documents (collectively, "*Borrower Materials*") that may be distributed to the Public Lenders and that (i) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC," which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (ii) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Agent and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of U.S. federal and state securities Laws.

*No Waiver; Cumulative Remedies.* No failure by the Lenders or the Agent to exercise, and no delay by the Lenders or the Agent in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

*Expenses.* The Borrower agrees to pay or reimburse the Lenders and the Agent for (i) all actual, reasonable and documented (in summary form) fees, costs and out-of-pocket expenses incurred in connection with the development, preparation, negotiation, execution and delivery of this Agreement and other Transaction Documents executed and delivered on or prior to the Closing Date (including background checks and other due diligence), whether or not the transactions contemplated hereby or thereby are consummated, including, without limitation, the reasonable fees and disbursements of counsel to Lenders and the Agent, (ii) all actual, reasonable and documented (in summary form) costs and expenses of the Agent incurred in connection with any amendment, waiver, consent or other modification of the provisions hereof and the other Transaction Documents (whether or not such transactions are consummated), and (iii) after the occurrence and during the continuance of an Event of Default, all actual, reasonable and documented (in summary form) costs and expenses of Agent and the Lenders incurred in connection with the enforcement or preservation of any rights of Agent and the Lenders under this Agreement with respect to Borrower and the other Transaction Documents; provided that the Borrower's obligations under this clause (iii) with respect to legal costs and expenses shall be limited to the reasonable fees and disbursements of one counsel to the Agent and the Lenders (including all such reasonable costs and out-of-pocket expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law). All such amounts shall be payable (x) with respect to clause (i), on the Closing Date and (y) otherwise, within thirty (30) days after written demand therefor together with a reasonably detailed invoice.

*Indemnification.* The Borrower shall indemnify and hold harmless the Lenders, the Agent, their respective Affiliates and their respective directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "*Indemnitees*") from and against any and all

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including all actual, reasonable and documented (in summary form) legal fees and expenses of one law firm plus any local counsel deemed appropriate by such law firm) incurred by any Indemnatee or asserted against any Indemnatee by any third party or by the Borrower of any kind or nature, which may at any time be imposed on, incurred by or asserted against any such Indemnatee in connection with (i) the execution, delivery and performance by the parties thereto of their respective obligations under this Agreement or any other Transaction Document and the transactions contemplated hereby or thereby, and the consummation and administration of the transactions contemplated hereby and thereby (other than with respect to legal fees and disbursements incurred on or prior to the date hereof), or (ii) any actual or prospective claim, litigation, investigation or proceeding brought or threatened in writing whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether such Indemnatee is designated a party thereto, relating to or arising out of this Agreement or any other Transaction Document or the transactions contemplated hereby and thereby, a Lender's or the Agent's activities in connection herewith or therewith or any actual or proposed use of proceeds of Loans hereunder; *provided* that such indemnity shall not, as to any Indemnatee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of any Indemnatee. No Indemnatee or other party hereto shall have any liability for any special, indirect, consequential or punitive damages relating to this Agreement or any other Transaction Document or arising out of its activities in connection herewith or therewith (whether before or after the date hereof).

*Payments Set Aside.* To the extent that any payment by or on behalf of the Borrower is made to any Lender, or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law, any other state or federal law, common law or any equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred.

*Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lenders and the Agent, (ii) the Agent may not assign or otherwise transfer any of its rights or obligations hereunder except to any Affiliates of any Lender or of the Agent or any Person sponsored, administered, managed or financed by any Lender or the Agent or any Affiliate thereof, and (iii) no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (A) to the Agent, another Lender, any Affiliate of any Lender, the Agent or any Person sponsored, administered, financed or managed by any Lender, the Agent or any Affiliate thereof or any other Person (other than a natural person) approved by the Agent and, unless a Specified Event of Default has occurred and

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

is continuing at the time of such assignment, the Borrower (each such approval not to be unreasonably withheld or delayed), (B) by way of participation in all or a portion of such Lender's rights and/or obligations hereunder (including all or a portion of its Loan Commitment and/or the Loans), or (C) by way of pledge or assignment of a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender (and any other attempted assignment or transfer by any party hereto shall be null and void). The Borrower agrees that each such assignee or participant will be entitled to the benefits of Sections 9(f), (l) and (v) to the same extent as if it were a Lender.

*Delegation of Duties.* The Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Transaction Document by or through any one or more sub-agents appointed by the Agent. The Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Affiliates. The indemnification provisions of Section 9(f) will apply to any such sub-agent. The Agent will not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Agent acted with gross negligence or willful misconduct in the selection of such sub-agent.

*No Third Party Beneficiary.* Nothing in this Agreement or any other Transaction Document, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto or thereto, their respective successors and assigns permitted hereby or thereby, and, to the extent expressly contemplated hereby or thereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

*Increased Cost.* The Borrower shall reimburse or compensate each Lender, upon written demand, for all costs incurred, losses suffered or payments made by such Lender which are applied or reasonably allocated by such Lender to the transactions contemplated herein (all as determined by such Lender in its reasonable discretion) by reason of any and all future reserve, deposit, capital adequacy or similar requirements against (or against any class of or change in or in the amount of) assets, liabilities or commitments of, or extensions of credit by, such Lender or Change in Law or in the interpretation or application thereof after the date hereof; and compliance by such Lender with any directive, or requirements from any regulatory authority, whether or not having the force of law (including any Tax or increased Tax of any kind whatsoever with respect to this Agreement or any Loan hereunder or any change in the basis or rate of taxation of payments to the Lender in respect thereof); *provided* that such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if such designation or assignment (i) would eliminate or reduce any such amounts and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender (and the Borrower hereby agrees to pay all reasonable costs and expenses incurred by such Lender in connection with any such designation or assignment).

*Confidentiality.* Each Lender and the Agent agrees to maintain the confidentiality of all information received from or on behalf of the Borrower relating to the Borrower or its business ("*Borrower Confidential Information*"), and the Borrower agrees to maintain the confidentiality of each of the Transaction Documents and all other information received from the Lenders or the

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---



Agent, including all reports prepared by the Agent or the Lenders ("*Lender Confidential Information*" and, together with Borrower Confidential Information, "*Confidential Information*") except that the Borrower may disclose Lender Confidential Information and the Lenders or the Agent may disclose Borrower Confidential Information (i) to its and its respective Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (collectively, "*Representatives*") (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature thereof and instructed to keep the content thereof confidential and that such party shall be responsible for any breach or failure to comply with this Section 9(l)(i) (or any instruction hereunder) by its Representatives); (ii) to the extent requested by any regulatory or self-regulatory authority or required by Applicable Laws, or in the case of the Borrower, as determined in good faith or on the advice of counsel to be necessary for compliance with Applicable Laws, or by any subpoena or similar legal process or, with respect to a Lender, by any rating agency then rating the commercial paper notes issued by or on behalf of the Lender or other debt obligations of the Lender or its Affiliates; (iii) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (iv) in the case of the Lenders or the Agent, subject to an agreement containing provisions substantially similar to those of this Section 9(l), to any actual or prospective permitted assignee or participant in such Lender's rights or obligations under this Agreement or any credit insurance (or credit re-insurance) provider of such Lender; (v) with the consent of the Borrower with respect to the disclosure of Borrower Confidential Information, and with the consent of the Lenders and the Agent with respect to the disclosure of Lender Confidential Information; or (vi) to the extent such Confidential Information (A) is available to the disclosing Person on a nonconfidential basis prior to disclosure by the other Person, (B) becomes publicly available other than as a result of a breach of this Section 9(l), (C) becomes available to the disclosing Person on a nonconfidential basis from a source other than the other Person or (D) is developed by the receiving Person without reliance on Confidential Information. It is understood and agreed that regulators having jurisdiction over the Agent or the Lenders shall have unrestricted access to all books, records, files and other materials in the Agent's or the Lenders' possession, including any Borrower Confidential Information, and disclosure of any Borrower Confidential Information to such persons solely for purposes of supervision or examination may occur without written notice to or authorization from the Borrower.

*Set-off.* In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Event of Default, each Lender is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, indebtedness or other obligation at any time owing by, the Lender to or for the credit or the account of the Borrower against any and all Obligations owing to the Lender hereunder or under any other Transaction Document, now or hereafter existing, irrespective of whether or not the Lender shall have made demand under this Agreement or any other Transaction Document and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable deposit, indebtedness or obligation. Each Lender agrees promptly to notify the Borrower after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

*Interest Rate Limitation.* Notwithstanding anything to the contrary contained in any Transaction Document, the interest paid or agreed to be paid under the Transaction Documents shall not exceed the maximum rate of non-usurious interest permitted by Applicable Law (the “*Maximum Rate*”). If the Lenders shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged or received by the Lenders exceeds the Maximum Rate, the Lenders may, to the extent permitted by Applicable Law, (i) characterize any payment that is not principal as an expense, fee or premium rather than interest, (ii) exclude voluntary prepayments and the effects thereof and (iii) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

*Counterparts; Integration.* This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed to be an original signature hereto. This Agreement, together with the other Transaction Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter.

*Survival.* Notwithstanding any provision to the contrary, (i) all representations and warranties made hereunder and in any other Transaction Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof and (ii) the provisions of Sections 9(f), 9(l), 9(m), 9(v) and 9(y) shall survive any termination of this Agreement.

*Severability.* If any provision of this Agreement or the other Transaction Documents is held to be illegal, invalid or unenforceable, (i) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Transaction Documents shall not be affected or impaired thereby and (ii) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

*Governing Law.* THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT (EXCEPT, AS TO ANY OTHER TRANSACTION DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

*Jurisdiction.* Each party hereto irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind whatsoever, whether in law or equity, or whether in contract or tort or otherwise, against any other party hereto or any of their respective Related Parties in any way relating to this Agreement or any other Transaction Document or the transactions contemplated hereby or thereby, in any forum other than the courts of the State of New York sitting in New York County, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the exclusive jurisdiction of such courts and agrees that any such action, litigation or proceeding may be brought in any such New York State court or, to the fullest extent permitted by Applicable Law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein or in any other Transaction Document shall affect any right that the Agent or the Lenders may otherwise have to bring any action or proceeding relating to this Agreement or any other Transaction Document against the Borrower or its properties in the courts of any other jurisdiction. Each party hereto irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to such other party hereto at its address set forth beneath its signature hereto. Each party hereto irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

*WAIVER OF JURY TRIAL.* EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING OUT OR RELATED TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

*Judgment Currency.* If, under any Applicable Law and whether pursuant to a judgment being made or registered against the Borrower or for any other reason, any payment under or in connection with this Agreement, is made or satisfied in a currency (the “*Other Currency*”) other than Dollars then, to the extent that the payment (when converted into Dollars at the rate of exchange on the date of payment or, if it is not practicable for the party entitled thereto (the “*Payee*”) to purchase Dollars with the Other Currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so) actually received by the Payee falls short of the amount due under the terms of this Agreement, the Borrower shall, to the extent permitted by law, as a separate and independent obligation, indemnify and hold harmless the Payee against the amount of such short-fall. For the purpose of this Section 9(u), “rate of exchange” means the rate at which the Payee is able on the relevant date to purchase Dollars with the Other Currency and shall take into account any premium and other costs of exchange.

*Appointment as Agent; Limitation of Liability.* Each Lender irrevocably appoints the Agent as its administrative agent and collateral agent under this Agreement and the other Transaction Documents and authorizes the Agent or any Affiliate of the Agent to take such

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

actions on its behalf and to exercise such powers as are delegated to the Agent by the terms of the Transaction Documents, together with such actions and powers as are reasonably incidental thereto. The Agent shall not have any duties or obligations except those expressly set forth in the Transaction Documents.

*Conflicts Disclosure; Waiver and Exculpation.* The Borrower hereby acknowledges that the Lenders, the Agent and their respective Affiliates may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial, trading or investment banking business with (including the provision of brokerage, asset management and advisory services to) any issuer of an Investment Asset or their respective Affiliates or any other Person having obligations relating to the Borrower or any Investment Asset, and may act with respect to such business in the same manner as if this Agreement or the Loans did not exist (including in a way that may be directly or indirectly adverse to the interests of the Borrower). The Borrower hereby waives any claim in respect of any such potential or actual conflict, and agrees that it will not seek to hold the Lenders, the Agent or their respective Affiliates liable for any losses or obligations of the Borrower that may result with respect to such business.

*USA PATRIOT Act.* Each Lender and the Agent (for itself and not on behalf of the Lenders) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify, and record information that identifies the Borrower which information includes the name of the Borrower and other information that will allow the Lenders or the Agent, as applicable, to identify the Borrower in accordance with the USA PATRIOT Act, and the Borrower agrees to provide such information from time to time to the Lenders and the Agent, as applicable.

*Acknowledgements.* The Borrower hereby acknowledges that (i) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Transaction Documents; (ii) none of the Agent nor the Lenders has any fiduciary or advisory relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Transaction Documents, and the relationship between the Borrower, on the one hand, and the Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and (iii) no joint venture is created hereby or by the other Transaction Documents or otherwise exists by virtue of the transactions contemplated hereby between the Lenders or Agent and the Borrower.

*OID Legend.* THE LOANS MAY BE ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF ORIGINAL ISSUE DISCOUNT, ISSUE DATE AND YIELD TO MATURITY OF THE LOANS MAY BE OBTAINED BY WRITING TO THE BORROWER AT ITS ADDRESS SET FORTH ON THE SIGNATURE PAGE HERETO.

LEGAL\_US\_E # ~~171549701.1~~171549701.5

## DEFINITIONS; CONSTRUCTION

Except as otherwise set forth in the Exhibits or Appendices hereto, the following terms, as used herein, have the following meanings:

*“Advisers Act”* means the Investment Advisers Act of 1940, as amended from time to time, together with all rules and regulations promulgated from time to time thereunder.

*“Advisory Agreement”* means the Investment Advisory and Administrative Services Agreement, dated as of April 30, 2019, between Investment Advisor and the Borrower.

*“Affiliate”* means, (i) when used with reference to the Borrower, has the meaning ascribed to the term “Affiliated Person” in the Investment Company Act and the rules and regulations thereunder and (ii) when used with reference to any other Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. *“Control”* means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. *“Controlling”* and *“Controlled”* have meanings correlative thereto. Without limiting the generality of the foregoing, a Person shall be deemed to be Controlled by another Person if such other Person possesses, directly or indirectly, power to vote 10% or more of the securities having ordinary voting power for the election of directors, managing general partners or the equivalent. In any event, the Investment Adviser and its Affiliates shall be deemed Affiliates of the Borrower.

*“Anti-Corruption Laws”* means all Laws applicable to the Borrower or any of its Affiliates from time to time concerning or relating to bribery or corruption, including the Foreign Corrupt Practices Act of 1977 (15 U.S.C. §§ 78dd-1, et seq.).

*“Anti-Terrorism Laws”* means all Laws of any jurisdiction applicable to the Borrower or any of its Affiliates from time to time related to money laundering or financing terrorism including the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. 107-56) (the *“USA PATRIOT Act”*), The Currency and Foreign Transactions Reporting Act (31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818(s), 1820(b) and 1951-1959) (also known as the *“Bank Secrecy Act”*), the Trading With the Enemy Act (50 U.S.C. § 1 et seq.) and Executive Order 13224 (effective September 24, 2001).

*“Applicable Law”* means, for any Person, all existing and future laws, rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders, licenses of and interpretations by any Governmental Authority applicable to such Person and applicable judgments, decrees, injunctions, writs, awards or orders of any court, arbitrator or other administrative, judicial, or quasi-judicial tribunal or agency of competent jurisdiction.



LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

“Applicable Rate” means with respect to Loans, per annum in cash, for SOFR Loans, 7.375%, and for Base Rate Loans, 6.375%; provided that for each day that (A) the Borrower fails to cause to be maintained a Loan Rating as required pursuant to Section 5(o) or (B) the Loan Rating is below Investment Grade, the Applicable Rate shall be (i) for SOFR Loans, 8.375% and (ii) for Base Rate Loans, 7.375%.

*“Appropriate Accounting Principles”* means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

*“Asset Coverage Ratio”* means, with respect to the Borrower on any date, the ratio, expressed as a percentage, of (a) Total Assets less all liabilities (including liabilities associated with the Participations) and Indebtedness of the Borrower not represented by Senior Securities to (b) the aggregate amount of Senior Securities of the Borrower.

~~“BDC” means a “business development company” as defined under Section 2(a)(48) of the Investment Company Act.~~

“Available Tenor” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, any tenor for such Benchmark or payment period for interest calculated with reference to such Benchmark, as applicable, that is or may be used for determining the length of an Interest Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to Section 2(o).

“Base Rate” means for any day a fluctuating rate of interest per annum equal to the highest of (a) the Federal Funds Effective Rate plus 0.50%, (b) the Prime Rate and (c) Term SOFR for a one-month tenor in effect on such day plus 1.00%; and if the Base Rate shall be less than 6.00%, such rate shall be deemed 6.00% for purposes of this Agreement. For purposes of this definition, the “Prime Rate” shall mean, for any day, the rate of interest in effect for such day that is identified and normally published by The Wall Street Journal as the “Prime Rate” (or, if more than one rate is published as the Prime Rate, then the highest of such rates), with any change in the Prime Rate to become effective as of the date the rate of interest which is so identified as the “Prime Rate” is different from that published on the preceding Business Day. If the Wall Street Journal no longer reports the Prime Rate, or if the Prime Rate no longer exists, or the Agent determines in good faith that the rate so reported no longer accurately reflects an accurate determination of the prevailing Prime Rate, then the Agent may select another generally available and recognizable source to use as the basis for the Prime Rate.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Base Rate Term SOFR Determination Day” has the meaning specified in the definition of “Term SOFR”.

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

“Benchmark” means, initially, the Term SOFR Reference Rate; *provided* that if a Benchmark Transition Event has occurred with respect to the Term SOFR Reference Rate or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2(o).

“Benchmark Replacement” means, for any Available Tenor, the first alternative set forth in the order below that can be determined by the Agent for the applicable Benchmark Replacement Date:

- (1) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment;
- (2) the sum of: (a) the alternate benchmark rate that has been selected by **the Agent and the Borrower** as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for U.S. dollar-denominated syndicated credit facilities at such time and (b) the related Benchmark Replacement Adjustment.

If the Benchmark Replacement as determined pursuant to clause (1) or (2) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for purposes of this Agreement and the other Transaction Documents.

“Benchmark Replacement Adjustment” with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Agent in consultation with the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for Dollar-denominated syndicated credit facilities at such time.

“Benchmark Replacement Conforming Changes” means, with respect to either the use or administration of Term SOFR or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “U.S. Government Securities Business Day,” the definition of “Interest Period” or any similar or analogous definition (or the addition of a concept of “interest period”), timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods and other technical, administrative or operational matters) that the Agent decides may be appropriate to reflect the adoption and implementation of any such rate or to permit the use and administration thereof by the Agent in a manner substantially consistent with market practice (or, if the Agent decides that adoption of any portion of such market practice is not administratively feasible or if

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

the Agent determines that no market practice for the administration of any such rate exists, in such other manner of administration as the Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Transaction Documents).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

- (1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof);
- (2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the first date on which all Available Tenors of such Benchmark (or the published component used in the calculation thereof) has been or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof) have been determined and announced by the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be non-representative; provided that such non-representativeness will be determined by reference to the most recent statement or publication referenced in such clause (3) and even if such Benchmark (or such component thereof) or, if such Benchmark is a term rate, any Available Tenor of such Benchmark (or such component thereof) continues to be provided on such date.

For the avoidance of doubt, if such Benchmark is a term rate, the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (1) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, any Available Tenor of such Benchmark (or such component thereof);
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Federal Reserve Board, the Federal Reserve Bank of New

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, any Available Tenor of such Benchmark (or such component thereof); or

- (3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such Benchmark (or such component thereof) or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof) are not, or as of a specified future date will not be, representative.

For the avoidance of doubt, if such Benchmark is a term rate, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Unavailability Period” means the period (if any) (x) beginning at the time that a Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Transaction Document in accordance with Section 2(o) and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Transaction Document in accordance with Section 2(o).

*“Beneficial Ownership Certification”* means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

*“Beneficial Ownership Regulation”* means 31 C.F.R. § 1010.230.

*“Board”* means the Board of Governors of the Federal Reserve System of the United States of America.

*“Borrower Equity Interests”* means, with respect to the Borrower, shares of capital stock of (or other ownership or profit interests in) the Borrower, all of the warrants, options or other rights for the purchase or acquisition from the Borrower of shares of capital stock of (or other ownership or profit interests in) the Borrower, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) the Borrower or warrants, rights or options for the purchase or acquisition from the Borrower of such



LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

shares (or such other interests), and all of the other ownership or profit interests in the Borrower (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

*“Borrower Materials”* has the meaning specified in Section 9(c)(ii).

*“Borrowing Date”* means any date, on or prior to the Commitment Termination Date, on which the Borrower borrows a Loan hereunder.

*“Borrowing Notice”* has the meaning specified in Section 2(b).

*“Business Day”* means any day other than a Saturday, Sunday, or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the State of New York.

*“Cash”* means all cash denominated in Dollars (or any other currency acceptable to Agent in its sole discretion).

*“Cash Equivalents”* means:

securities issued by, or directly and fully guaranteed or insured by, the United States government or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof), maturing not more than one year from the date of acquisition;

certificates of deposit, dollar time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers’ acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any domestic commercial bank having capital and surplus in excess of \$500,000,000 and a rating at the time of acquisition thereof of “P-2” or better from Moody’s or “A-2” or better from S&P;

repurchase obligations for underlying securities of the types described in clauses (a) and (b) above entered into with any financial institution meeting the qualifications specified in clause (b) above;

commercial paper issued by a corporation (other than an Affiliate of the Borrower) rated at least “P-1” or higher from Moody’s or “A-1” or higher from S&P, and in each case maturing within one year after the date of acquisition;

securities issued and fully guaranteed by any state, commonwealth or territory of the United States, or by any political subdivision or taxing authority thereof, rated at least “A2” by Moody’s or at least “A” by S&P and in each case having maturities of not more than one year from the date of acquisition; and

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

shares of money market funds that comply with Rule 2a-7 under the Investment Company Act.

“*Change in Law*” means (a) the adoption of any Law after the date of this Agreement, (b) any change in any Law or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by the Agent or the Lenders with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; *provided* that, notwithstanding anything herein to the contrary, (x) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, and (y) the Dodd-Frank Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“*Change of Control*” means (a) the direct or indirect sale, transfer, conveyance or other disposition ([in each case](#), other than by way of merger or consolidation permitted under this Agreement) in one or a series of related transactions, of all or substantially all of the property or assets of the Borrower, (b) the consummation of any transaction the result of which is that any entity ([other than a Permitted Holder](#)) becomes the beneficial owner, directly or indirectly, of more than 50% of the outstanding voting stock of the Borrower, (c) the Investment Adviser or other external management company of the Borrower ceases to be Terra Investment Advisors, LLC or an Affiliate thereof or a replacement reasonably acceptable to the Agent or (d) the approval by the board of directors (or similar governing body) of the Borrower or the Borrower’s shareholders of any plan or proposal relating to the liquidation or dissolution of the Borrower. Notwithstanding the foregoing, the consummation of the recapitalization transaction described in the Borrower’s 8-K filed with the SEC on January 29, 2021 will not result and will not be deemed to result in a “Change of Control”.

“*Closing Date*” has the meaning specified in the introduction to this Agreement.

“*Code*” means the U.S. Internal Revenue Code of 1986, as amended.

“*Collateral*” means any and all “Collateral,” as defined in any Security Document.

“*Collateral Requirement*” means the requirement that:

(a) all documents and instruments necessary or reasonably requested by the Agent to be filed, registered or recorded to create the Liens intended to be created by the Security Documents and perfect or record such Liens to the extent, and with the priority, required by the Security Agreement, shall have been filed, registered or recorded or delivered to the Agent for filing, registration or recording;

(b) the Borrower shall have obtained all consents and approvals required to be obtained by it in connection with the execution and delivery of all Security Documents to

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

which it is a party, the performance of its obligations thereunder and the granting of the Liens granted by it thereunder; and

(c) the Borrower shall have taken all other action expressly required by it under the Security Documents to perfect, register and/or record the Liens granted by it thereunder.

*“Collections”* means all cash collections and other cash proceeds from any source, including, without limitation, (a) all scheduled payments of principal and principal prepayments and all guaranty payments and proceeds of any liquidations, sales, dispositions or securitizations, in each case, attributable to the principal of any Investment Asset, (b) all scheduled payments of interest and payments of interest relating to principal prepayments, all guaranty payments attributable to interest and proceeds of any liquidations, sales, dispositions or securitizations attributable to interest on such Investment Asset, (c) all amendment fees, late fees, waiver fees, prepayment fees (including call premiums, to the extent such call premiums are in excess of par), (d) all Recoveries, (e) all insurance proceeds, (f) all proceeds of any sale or disposition with respect to such Investment Asset, (g) the proceeds of any subscriptions and capital raises, and (h) all cash proceeds or other funds received by the Borrower with respect to any underlying collateral (including from any guarantors).

*“Commitment Termination Date”* means the date that is the one (1) year anniversary of the Closing Date.

*“Compliance Certificate”* means a certificate substantially in the form of Exhibit B.

*“Contractual Obligation”* means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

*“Control Agreement”* means a control agreement, in form and substance reasonably satisfactory to the Agent, which grants the Agent “control” as defined in the UCC in effect in the applicable jurisdiction over any deposit account or securities account maintained by the Borrower, in each case, among the Agent, the Borrower and the Custodian or other applicable depository institution.

*“Corresponding Tenor”* with respect to any Available Tenor means, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

*“Custodian”* means (a) U.S. Bank National Association, or its designee or nominee, acting in its capacity as custodian or (b) any successor custodian reasonably acceptable to the Agent.

*“Custody Account”* has the meaning given such term in the Security Agreement.

“*Custody Agreement*” means that certain Custody Agreement dated as of June 1, 2015, between the Borrower and the Custodian.

“Daily Simple SOFR” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for syndicated business loans; provided, that if the Agent decides that any such convention is not administratively feasible for the Agent, then the Agent may establish another convention in its reasonable discretion; provided further that if Daily Simple SOFR is less than the Floor, then Daily Simple SOFR shall be deemed to be the Floor for purposes of this Agreement.

“*Debtor Relief Laws*” means the Bankruptcy Code of the United States, if applicable, and all other liquidation, winding up, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“*Default*” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“*Default Rate*” means, ~~at any time, an interest rate equal to the interest~~ (a) with respect to any Obligation for which a rate is specified, a rate per annum equal to two percent (2.00%) in excess of the rate otherwise applicable to any Loan at such time plus 2% per annum thereto and (b) with respect to any Obligation for which a rate is not specified or available, a rate per annum equal to the Base Rate plus the Applicable Rate for Loans that are Base Rate Loans plus two percent (2.00%), in each case, to the fullest extent permitted by Applicable Law.

“*Defaulting Lender*” means, at any time, any Lender that (a) has failed for three (3) or more Business Days after a Borrowing Date to fund its portion of a Loan required pursuant to the terms of this Agreement (other than failures to fund as a result of a bona fide dispute as to whether the conditions to borrowing were satisfied on the relevant Borrowing Date), (b) has notified the Borrower or the Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Agent or the Borrower, to confirm in writing to the Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided, that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Agent and the Borrower) or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---



regulatory authority acting in such a capacity; *provided*, that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgment or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) shall be conclusive and binding absent manifest error.

*“Dodd-Frank Act”* means the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law on July 21, 2010, as amended.

*“Dollar”* and *“\$”* mean lawful money of the United States.

*“Environmental Laws”* means any and all federal, state, local, and foreign statutes, Laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions, including all common law, relating to pollution or the protection of health, safety or the environment or the release of any materials into the environment, including those related to Hazardous Materials, air emissions, discharges to waste or public systems and health and safety matters.

*“Environmental Liability”* means any liability or obligation, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), directly or indirectly, resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment, disposal or permitting or arranging for the disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

*“ERISA”* means the Employee Retirement Income Security Act of 1974, as amended from time to time.

*“ERISA Affiliate”* means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

*“ERISA Event”* means any one or more of the following: (a) any reportable event, as defined in Section 4043 of ERISA, with respect to a Pension Plan, as to which notice has not been waived under applicable PBGC regulations; (b) the termination of any Pension Plan under Section 4041(c) of ERISA; (c) the institution of proceedings by the PBGC under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (d) the failure to make a required contribution to any Pension Plan that would result in the imposition of a lien or other encumbrance or the provision of security under Section 430 of the

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

Code or Section 303 or 4068 of ERISA, or the arising of such a lien or encumbrance; the failure to satisfy the minimum funding standard under Section 412 of the Code or Section 302 of ERISA, whether or not waived; or a determination that any Pension Plan is, or is expected to be, considered an at-risk plan within the meaning of Section 430 of the Code or Section 303 of ERISA; (e) the complete or partial withdrawal of the Borrower, Subsidiary or ERISA Affiliate from a Multiemployer Plan which results in the imposition of Withdrawal Liability (as defined in Title IV of ERISA); (f) the insolvency under Title IV of ERISA of any Multiemployer Plan; (g) a determination that any Multiemployer Plan is in endangered or critical status under Section 432 of the Code or Section 305 of ERISA; or (h) the withdrawal of the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or the cessation of operations by the Borrower or any ERISA Affiliate that would be treated as a withdrawal from a Pension Plan under Section 4062(d) of ERISA.

*“Event of Default”* has the meaning specified in Section 8.

*“Exchange Act”* means the Securities Exchange Act of 1934, as amended.

*“Excluded Accounts”* means, collectively, (a) accounts established exclusively for payroll, payroll taxes and other employee wage and benefit payments; and (b) withholding and trust accounts; ~~(c) the Raymond James account of Borrower set forth on Schedule 4(w) delivered on the Closing Date; provided that on and at all times after the initial Borrowing Date to occur after the Closing Date, to the extent the aggregate balance in such account exceeds \$2,500,000 at any time, the Borrower shall use commercially reasonable efforts to cause within five (5) Business Days any Securities, Cash or Cash Equivalents in excess of such amount (or such greater amount as determined by the Borrower) to be transferred to an account subject to a Control Agreement; (d) the Bank of America account set forth on Schedule 4(w) delivered on the Closing Date; provided that on and at all times after the initial Borrowing Date to occur after the Closing Date, (i) to the extent the aggregate balance in such account exceeds \$1,000,000 at any time, the Borrower shall use commercially reasonable efforts to cause within five (5) Business Days any Cash or Cash Equivalents in excess of such amount (or such greater amount as determined by the Borrower) to be transferred to an account subject to a Control Agreement or invested in accordance with the Investment Policies and Restrictions and (ii) the Borrower shall not permit Collections in an aggregate amount in excess of \$5,000,000 to be deposited into such account at any time, and (e) the Israel Discount Bank Accounts set forth on Schedule 4(w) delivered on the Closing Date; provided that on and at all times after the initial Borrowing Date to occur after the Closing Date, the aggregate balance in the accounts referred to in this clause (e) shall not exceed \$5,000,000 at any time.~~

*“Excluded Taxes”* means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Loan Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Loan Commitment or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2(l), amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2(l)(vi) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"*FATCA*" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future Treasury Regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

"Federal Funds Effective Rate" means for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Effective Rate for such day shall be the average rate charged to the Agent on such day on such transactions as determined by the Agent.

"*Financial Covenant*" has the meaning specified in Section 7(a).

"Floor" means a rate of interest equal to 5.00%.

"*Foreign Lender*" means (a) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes.

"*Governmental Authority*" means any nation or government, any state or other political subdivision thereof or any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"*Guarantee*" means, as to any Person, (i) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness, Contractual Obligations or other obligation payable or performable by another Person (the "*primary obligor*") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (A) to purchase or pay (or advance or supply funds for the

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

purchase or payment of) such Indebtedness, Contractual Obligations or other obligation, (B) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness, Contractual Obligations or other obligation of the payment or performance of such Indebtedness, Contractual Obligations or other obligation, (C) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness, Contractual Obligations or other obligation, or (D) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness, Contractual Obligations or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (ii) any Lien on any assets of such Person securing any Indebtedness, Contractual Obligations or other obligation of any other Person, whether or not such Indebtedness, Contractual Obligations or other obligation is assumed by such Person. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“*Hazardous Materials*” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes, and other substances or wastes of any nature regulated under or with respect to which liability or standards of conduct are imposed pursuant to any Environmental Law.

“*Indebtedness*” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with Appropriate Accounting Principles: (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements, repurchase agreements or other similar instruments, (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments, (c) obligations of such Person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, credit derivative transaction or similar agreement or arrangement, (d) all obligations of such Person to pay the deferred purchase price of property or services (other than (x) trade accounts payable in the ordinary course of business to the extent not past due for more than 90 days after the date on which such trade account payable was due and (y) obligations to the Custodian for purposes of clearing and settling purchases and sales of securities to the extent not past due more than five Business Days after such purchase or sale), (e) all indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse, (f) all capital leases and synthetic lease obligations, (g) all commitments of such Person to make an investment in another Person or to purchase, redeem, retire, defease or otherwise make any payment in respect of any equity interest in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---



involuntary liquidation preference plus accrued and unpaid dividends, (h) all obligations of such Person to post margin or collateral (however characterized) under any prime brokerage, securities account, options or similar agreements, (i) all obligations of such Person under reverse repurchase agreements or like arrangements, (j) any other obligation of such Person that would constitute Senior Securities and (k) all Guarantees of such Person in respect of any of the foregoing. For all purposes hereof, the Indebtedness of any Person shall include such Person's pro rata share of the Indebtedness of any partnership or joint venturer in which such Person is a general partner or a joint venture that is several and not joint, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any capital lease or synthetic lease obligation as of any date shall be deemed to be the amount of attributable indebtedness in respect thereof in accordance with Appropriate Accounting Principles as of such date. Notwithstanding the foregoing, "Indebtedness" shall not include (I) purchase price holdbacks arising in the ordinary course of business in respect of a portion of the purchase price of an asset or Investment to satisfy unperformed obligations of the seller of such asset or Investment unless such obligations would be required to be set forth on a balance sheet in accordance with Appropriate Accounting Principles and (II) the Participations.

*"Indemnified Taxes"* means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Transaction Document and (b) to the extent not otherwise described in (a), Other Taxes.

*"Indemnitee"* has the meaning specified in Section 9(f).

*"Interest Period"* means as to each Loan (a) initially, the period commencing on the date such Loan is disbursed and ending on the next succeeding Payment Date and (b) thereafter, each period commencing on the last day of the preceding Interest Period and ending on the next succeeding Payment Date; *provided* that any Interest Period that would otherwise end after the Maturity Date shall end on the Maturity Date.

*"Investment"* means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit.

*"Investment Adviser"* means Terra Income Advisors, LLC or an Affiliate thereof, in its capacity as advisor to the Borrower.

*"Investment Asset"* means a security, loan or other financial instrument in the Borrower's investment portfolio.

*"Investment Company Act"* means the U.S. Investment Company Act of 1940, as amended from time to time, together with all rules and regulations promulgated from time to time thereunder.

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

*“Investment Grade”* means a rating of BBB- or higher from Egan-Jones Ratings Company or its equivalent from another NRSRO.

*“Investment Policies and Restrictions”* means, with respect to the Borrower, the provisions dealing with investment objectives, investment policies, and investment restrictions, as set forth in the Organization Documents and the Prospectus, as may be supplemented, amended or otherwise modified as authorized by the board of directors (or similar governing body) of the Borrower and as permitted under this Agreement.

*“Laws”* means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

*“Lien”* means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing). For the avoidance of doubt, in the case of Investments that are loans or other debt obligations, customary restrictions on assignments or transfers thereof on customary and market based terms pursuant to the underlying documentation relating to such Investment shall not be deemed to be a “Lien”.

*“Loan”* means any loan extended pursuant to Section 2(a) and the Incremental Loan (if any).

*“Loan Commitment”* means the commitment of a Lender to make or otherwise fund any Loan and *“Loan Commitments”* means such commitments of all Lenders in the aggregate. The amount of each Lender’s Loan Commitment, if any, is set forth on Schedule 1. The aggregate principal amount of the Loan Commitments as of the Closing Date is \$25,000,000.

*“Loan Rating”* means a credit rating with respect to the Loans from a NRSRO.

*“Margin Stock”* means margin stock within the meaning of Regulations T, U and X.

*“Market Value”* means with respect to any Investment Asset on any day, the value determined in good faith by the Borrower based on the Valuation Methodology.

*“Material Adverse Effect”* means, other than as the result of changes in the Market Value of the Borrower’s assets or liabilities, taken as a whole (a) a material adverse change in, or a material adverse effect upon, the properties, assets, business, operations, or financial condition of the Borrower taken as a whole; (b) a material impairment of the ability of the Borrower to perform its payment obligations under this Agreement; (c) a material impairment of the rights or

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

remedies of the Agent (including in its capacity as the collateral agent under any Security Document) or the Lenders under the Transaction Documents taken as a whole; or (d) a material adverse effect upon the Collateral taken as a whole or upon the legality, validity, binding effect or enforceability against the Borrower of the Transaction Documents to which it is a party taken as a whole.

*“Maturity Date”* means the earlier of (a) the Scheduled Maturity Date and (b) the date that the Loans shall become due and payable in full hereunder, whether by acceleration or otherwise.

*“Multiemployer Plan”* means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

*“NRSRO”* means a nationally recognized statistical ~~ratings~~rating organization so designated by the U.S. Securities and Exchange Commission, whose status has been confirmed by the Securities Valuation Office of the National Association of Insurance Commissioners.

*“Obligations”* means all advances to, and debts, liabilities, obligations, covenants and duties of, the Borrower arising under any Transaction Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Borrower or any Affiliate thereof of any proceeding under any Debtor Relief Law naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

*“Obligor”* means, collectively, each Person obligated to make payments under an Underlying Instrument, including any guarantor thereof.

*“Organization Documents”* means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, statutory trust or other form of business entity, the partnership, joint venture, statutory certificate of trust or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

*“Other Connection Taxes”* means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

perfected a security interest under, engaged in any other transaction pursuant to or enforced any Transaction Document, or sold or assigned an interest in any Loan or Transaction Document).

*“Other Taxes”* means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Transaction Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

*“Parent”* means Terra Property Trust, Inc., a Maryland corporation.

*“Participation”* means any participation or similar arrangement pursuant to which the Borrower transfers an economic interest in a portion of an investment it has originated to the Borrower’s Affiliates or non-Affiliates (which, for the avoidance of doubt, is described as “Obligations Under Participation Agreements” in the statements of assets and liabilities on the Borrower’s Form 10-K for the fiscal year ended December 31, 2020).

*“Payment Date”* means the last day of each ~~March, June, September and December~~ calendar month of each calendar year or if such day is not a Business Day, the next succeeding Business Day.

*“Pension Plan”* means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

*“Periodic Term SOFR Determination Day”* has the meaning specified in the definition of “Term SOFR”.

*“Permitted Indebtedness”* means (a) Indebtedness under this Agreement (including Incremental Loans (if any), (b) Preferred Equity Securities, (c) Indebtedness agreed to in writing between the Borrower and the Agent, (d) the Unsecured Notes, (e) Subordinated Indebtedness, ~~and~~ (f) other Indebtedness existing on the Closing Date listed on Schedule 6(A) and (g) Permitted Refinancing.

*“Permitted Holder”* means Western Asset Mortgage Capital Corporation, a Delaware corporation, or any of its Subsidiaries.

*“Permitted Lien”* means (a) Liens held by the Custodian under the Custody Agreement at the priority level permitted by the applicable Control Agreement, (b) Liens created under the Security Documents, (c) Liens imposed by Law for taxes that are not yet due or are being contested in good faith by appropriate proceedings which stay the imposition of any penalty, fine or Lien resulting from the non-payment thereof and with respect to which adequate reserves in conformity with Appropriate Accounting Principles have been set aside for the payment thereof,

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---



(d) Liens securing judgments for the payment of money to the extent such judgments do not constitute an Event of Default under Section 8(i), (e) Liens imposed by law, such as materialmen's, mechanics', carriers', workmens', storage, landlord, and repairmen's Liens and other similar Liens arising in the ordinary course of business and securing obligations (other than Indebtedness for borrowed money) not yet due or that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Borrower in accordance with Appropriate Accounting Principles, (f) Liens existing on the Closing Date and listed on Schedule 6(B), and (g) Liens assumed by the Borrower in connection with the transfer to the Borrower of any assets or other property as a result of or in connection with the exercise of its rights and remedies pursuant to any Underlying Instrument or in connection with any "workout" or other arrangement related thereto.

*"Permitted Refinancing"* means Indebtedness constituting a refinancing or extension of Permitted Indebtedness that (a) has a maturity at least six (6) months after the Scheduled Maturity Date, and (b) is not secured by any property or any Lien other than those securing such Permitted Indebtedness.

*"Person"* means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

*"Plan"* means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

*"Preferred Equity Securities"* means securities that (a) are unsecured and subordinated in right of payment to the Obligations, (b) do not mature and have no ability to be optionally redeemed by the holder thereof prior to the date that is six (6) months after the Scheduled Maturity Date and (c) do not receive any payments or distributions so long as a breach of the Financial Covenant, Default or Event of Default exists and is continuing.

*"Prospectus"* means the registration statement of the Borrower dated as of February 3, 2021 filed with the SEC pursuant to Rule 424(b)(1) promulgated under the Securities Act of 1933.

*"Public Lender"* has the meaning specified in Section 9(c)(ii).

*"Qualified Investment Adviser"* means an "investment adviser" as defined in the Investment Company Act.

*"Recipient"* means (a) the Agent or (b) any Lender, as applicable.

*"Recoveries"* means, as of the time any underlying collateral with respect to any defaulted Investment Asset is sold, discarded or abandoned or otherwise determined to be fully liquidated by the servicer, the proceeds from the sale of the underlying collateral, the proceeds of any related insurance policy, any other recoveries with respect to such Investment Asset, as applicable, the underlying collateral, and amounts representing late fees and penalties, net of any

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

amounts received that are required under such Investment Asset, as applicable, to be refunded to the related Obligor.

*“Regulation T”* means Regulation T issued by the Board (12 C.F.R. Part 220).

*“Regulation U”* means Regulation U issued by the Board (12 C.F.R. Part 221).

*“Regulation X”* means Regulation X issued by the Board (12 C.F.R. Part 224).

*“Regulatory Event”* means (a) any adverse determination made by the SEC or any other Governmental Authority for a material violation or material breach of Law (including, without limitation, the Investment Company Act) by the Borrower or the Investment Adviser (with respect to its management of the Borrower) or (b) any investigation made by the SEC or any other Governmental Authority for a violation or breach of Law (including, without limitation, the Investment Company Act) by the Borrower or the Investment Adviser that would reasonably be expected to have a Material Adverse Effect or (c) the revocation, suspension or termination of any license, permit or approval held by the Borrower or the Investment Adviser that, in the reasonable judgment of the Agent, is necessary for the conduct of business or management of the Borrower.

*“REIT”* means a Person satisfying the conditions and limitations set forth in Section 856(b) and 856(c) of the Code which are necessary to qualify such Person for treatment as a real estate investment trust under Sections 856-860 of the Code.

~~*“REIT Status Termination Date”* means the first date (if any) on which the Borrower determines that it will not qualify as a REIT under the Code and the applicable Treasury Regulations, which determination may be either because (i) of an affirmative decision or action taken by the Borrower or (ii) the Borrower otherwise fails to operate in conformity with the requirements for qualification and taxation as a REIT for the applicable calendar year.~~

*“Related Parties”* with respect to any Person, means such Person’s Affiliates and the directors, officers, employees, partners, agents, trustees, administrators, managers, advisors and representatives of it and its Affiliates.

*“Relevant Governmental Body”* means the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.

*“Required Lenders”* means, at any time, the Lenders having Loans representing more than 50% of the aggregate Total Outstandings at such time; *provided*, that, if at any time there are two or more unaffiliated Lenders, Required Lenders shall mean two or more such unaffiliated Lenders having Total Outstandings representing more than 50% of the Total Outstandings of all Lenders.

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---

*“Responsible Officer”* of a Person means its chief executive officer, chief financial officer, chief investment officer (whether or not the Person performing such duties is so designated) and each other “executive officer” or any authorized designee thereof.

*“Sanctioned Country”* means, at any time, a country or territory which is itself the subject or target of any Sanctions (at the time of this Agreement, Cuba, Iran, North Korea and Syria).

*“Sanctioned Person”* means, at any time, a Person that is a designated target of any Sanctions or otherwise a subject of any Sanctions, including as a result of being (a) listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, or by the United Nations Security Council, the European Union or any European Union member state, (b) operating or organized under the laws of or a citizen or resident of a Sanctioned Country or (c) owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

*“Sanctions”* means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union, any European Union member state or Her Majesty’s Treasury of the United Kingdom.

*“Scheduled Maturity Date”* means ~~July 1~~ March 31, 2023 ~~2024~~, or if such day is not a Business Day, the immediately preceding Business Day.

*“SEC”* means the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of its functions.

*“Securities Act of 1933”* means the Securities Act of 1933, as amended from time to time, together with all rules and regulations promulgated from time to time thereunder.

*“Security Agreement”* means the Security Agreement dated as of the date hereof between the Borrower and the Agent.

*“Security Documents”* means (a) the Security Agreement, (b) each Control Agreement, (c) the Custody Agreement and (d) any additional pledges, security agreements or mortgages required to be delivered pursuant to the Transaction Documents and any instruments of assignment or other instruments or agreements executed pursuant to the foregoing.

*“Senior Security”* shall have the meaning set forth in the first sentence of Section 18(g) of the Investment Company Act; *provided that*, for the purposes of this Agreement, the obligations under the Participations shall not constitute Senior Securities.

*“SOFR” means a rate equal to the secured overnight financing rate as administered by the SOFR Administrator.*

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“SOFR Loan” means a Loan that bears interest at a rate based on Term SOFR, other than pursuant to clause (c) of the definition of “Base Rate”.

“Specified Event of Default” means an Event of Default arising under Section 8(a), (b) (solely with respect to a breach of Section 5(b)(i) or (b)(ii) or Section 7), or (h).

“Subordinated Indebtedness” means any Indebtedness that (a) is unsecured, (b) matures at least six (6) months after the Scheduled Maturity Date and (c) is contractually subordinated to the Obligations pursuant to a subordination agreement in form and substance satisfactory to the Agent in its reasonable discretion.

“Subsidiary” of a Person means any other Person (a) of which a majority of the shares of securities or other equity interests are at the time beneficially owned by such Person and (b) the management of which is controlled, directly or indirectly, by such Person or an Affiliate of such Person. For purposes of this defined term, “control” means the power to exercise a controlling influence over the management or policies of a company, and “controlling” and “controlled” shall have correlative meanings. Notwithstanding anything herein to the contrary, the term “Subsidiary” shall not include any Person that constitutes an Investment held by the Borrower in the ordinary course of business and that is not, under Appropriate Accounting Principles, consolidated on the financial statements of the Borrower.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Term SOFR” means,

(a) for any calculation with respect to a SOFR Loan, the Term SOFR Reference Rate for a one-month tenor on the day (such day, the “Periodic Term SOFR Determination Day”) that is two (2) U.S. Government Securities Business Days prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. (New York City time) on any Periodic Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day, and

(b) for any calculation with respect to a Base Rate Loan on any day, the Term SOFR Reference Rate for a tenor of one month on the day (such day, the “Base Rate Term SOFR

LEGAL\_US\_E # ~~171549701.1~~[171549701.5](#)

---



Determination Day”) that is two (2) U.S. Government Securities Business Days prior to such day, as such rate is published by the Term SOFR Administrator; *provided*, however, that if as of 5:00 p.m. (New York City time) on any Base Rate Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Base Rate Term SOFR Determination Day;

*provided, further*, that if Term SOFR determined as provided above (including pursuant to the proviso under clause (a) or clause (b) above) shall ever be less than the Floor, then Term SOFR shall be deemed to be the Floor.

“Term SOFR Administrator” means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Agent in its reasonable discretion).

“Term SOFR Reference Rate” means the forward-looking term rate based on SOFR.

“Threshold Amount” means \$2,500,000.

“Total Assets” means, without duplication, the “value of the total assets” (within the meaning of the first sentence of Section 18(h) of the Investment Company Act) of the Borrower determined based on the Valuation Methodology.

“Total Outstandings” means, at any date, the aggregate outstanding principal amount of the Loans on such date after giving effect to any borrowings and prepayments or repayments of Loans occurring on such date.

“Transaction Documents” means this Agreement and the Security Documents.

~~“Treasury Rate” means a rate per annum (computed on the basis of actual days elapsed over a year of 365 days (or 366 as the case may be)) equal to the rate on the date of prepayment, that is the yield expressed as a rate listed in *The Wall Street Journal* for United States Treasury securities with a maturity closest to the amount of days from the date of repayment through the thirty (30) month anniversary of the Closing Date.~~

“Treasury Regulations” means the regulations (including temporary regulations) promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code.

“U.S.” or “United States” means the United States of America.

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

“U.S. Government Securities Business Day” means any day except for (a) a Saturday, (b) a Sunday or (c) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning given to such term in Section 2(l)(vi)(B)(2)(C).

“UCC” means the Uniform Commercial Code as in effect in the State of New York; *provided* that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding any related Benchmark Replacement Adjustment.

“Underlying Instrument” means the loan agreement, credit agreement, indenture or other agreement pursuant to which an Investment Asset has been issued or created, each other agreement that governs the terms of or secures the obligations represented by such Investment Asset or of which the holders of such Investment Asset are the beneficiaries, and each assignment agreement, intercreditor agreement or other agreement governing the rights and obligations of Borrower with respect thereto.

“Unsecured Notes” means, collectively, (a) the 7.00% notes due 2026 issued pursuant to the First Supplemental Indenture, dated February 10, 2021, by and between Borrower and U.S. Bank National Association, as trustee, and (b) additional unsecured unsubordinated notes issued by the Borrower from time to time so long as such notes mature at least six (6) months after the Scheduled Maturity Date.

“Unused Amount” means with respect to each day prior to the Commitment Termination Date, the excess if any of the daily difference between (a) the Loan Commitment and (b) the aggregate principal amount of outstanding Loans.

“Unused Commitment Fee” means with respect to each Interest Period, the product of (a) 0.75% multiplied by (b) the Unused Amount multiplied by (c) the actual number of days during such Interest Period divided by (d) 360.

“USA PATRIOT Act” has the meaning given to such term in the definition of Anti-Terrorism Laws.

“Valuation Adviser” has the meaning specified in Section 7.

LEGAL\_US\_E # ~~171549701.1~~ [171549701.5](#)

---

“*Valuation Methodology*” means the established policies and procedures adopted by the board of directors (or similar governing body) of the Borrower to value the Borrower’s portfolio assets, including Investment Assets, in accordance with the Investment Company Act and the rules and regulations thereunder, which is described in the Prospectus and in effect on the Closing Date, as the same may be modified from time to time by the board of directors (or similar governing body) of the Borrower in its sole discretion.

“*Valuation Statement*” means a statement prepared by the Borrower and delivered in electronic format as a spreadsheet, in substantially the form attached hereto as Schedule 2.

“*Withholding Agent*” means the Borrower or the Agent, as the context may require.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

LEGAL\_US\_E # 171549701.1 171549701.5

**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, LLC;
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: August 11, 2023

---

Chief Executive Officer and President

Officer)

the sold member of Terra Income  
Fund 6, LLC

**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, LLC;
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: August 11, 2023



/s/ Gregory M. Pinkus

---

Gregory M. Pinkus

Chief Financial Officer,

Chief Operating Officer, Treasurer and Secretary

(Principal Financial and Principal Accounting Officer)

Terra Property Trust, Inc., the sold member of Terra Income  
Fund 6, LLC

**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, LLC (the “Company”) for the quarterly period ended June 30, 2023 as filed with the Securities Exchange Commission on the date hereof (the “Report”), I, Vikram S. Uppal, and I, Gregory M. Pinkus, 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: August 11, 2023

/s/ Vikram S. Uppal

---

Vikram S. Uppal

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

Terra Property Trust, Inc., the sold member of Terra Income  
Fund 6, LLC

/s/ Gregory M. Pinkus

---

Gregory M. Pinkus

Chief Financial Officer,  
Chief Operating Officer, Treasurer and Secretary  
(Principal Financial and Principal Accounting Officer)

Terra Property Trust, Inc., the sold member of Terra Income  
Fund 6, LLC

**Cover****6 Months Ended  
Jun. 30, 2023  
shares****Cover [Abstract]**

|                                                    |                          |
|----------------------------------------------------|--------------------------|
| <u>Document Type</u>                               | 10-Q                     |
| <u>Document Quarterly Report</u>                   | true                     |
| <u>Document Period End Date</u>                    | Jun. 30, 2023            |
| <u>Document Transition Report</u>                  | false                    |
| <u>Entity File Number</u>                          | 000-55429                |
| <u>Entity Registrant Name</u>                      | Terra Income Fund 6, LLC |
| <u>Entity Incorporation, State or Country Code</u> | DE                       |
| <u>Entity Tax Identification Number</u>            | 92-0548263               |
| <u>Entity Address, Address Line One</u>            | 205 West 28th Street,    |
| <u>Entity Address, Address Line Two</u>            | 12th Floor               |
| <u>Entity Address, City or Town</u>                | New York                 |
| <u>Entity Address, State or Province</u>           | NY                       |
| <u>Entity Address, Postal Zip Code</u>             | 10001                    |
| <u>City Area Code</u>                              | 212                      |
| <u>Local Phone Number</u>                          | 753-5100                 |
| <u>Title of 12(b) Security</u>                     | 7.00% Notes due 2026     |
| <u>Trading Symbol</u>                              | TFSA                     |
| <u>Security Exchange Name</u>                      | NYSE                     |
| <u>Entity Current Reporting Status</u>             | Yes                      |
| <u>Entity Interactive Data Current</u>             | Yes                      |
| <u>Entity Filer Category</u>                       | Non-accelerated Filer    |
| <u>Entity Small Business</u>                       | true                     |
| <u>Entity Emerging Growth Company</u>              | false                    |
| <u>Entity Shell Company</u>                        | false                    |
| <u>Entity Common Stock, Shares Outstanding</u>     | 0                        |
| <u>Entity Central Index Key</u>                    | 0001577134               |
| <u>Document Fiscal Year Focus</u>                  | 2023                     |
| <u>Document Fiscal Period Focus</u>                | Q2                       |
| <u>Amendment Flag</u>                              | false                    |
| <u>Current Fiscal Year End Date</u>                | --12-31                  |

**Consolidated Balance Sheet  
(Successor Basis) - USD (\$)**

**Jun. 30, 2023 Dec. 31, 2022**

**Assets**

|                                                                                            |              |              |
|--------------------------------------------------------------------------------------------|--------------|--------------|
| <u>Cash and cash equivalents</u>                                                           | \$ 8,761,896 | \$ 6,524,596 |
| <u>Restricted cash</u>                                                                     | 0            | 215,357      |
| <u>Loans held for investment, net of allowance for credit losses of \$566,541 and none</u> | 81,808,208   | 121,413,026  |
| <u>Equity investment in unconsolidated investment</u>                                      | 37,031,942   | 10,013,691   |
| <u>Marketable securities</u>                                                               | 531,696      | 0            |
| <u>Interest receivable</u>                                                                 | 1,253,090    | 1,441,044    |
| <u>Prepaid expenses and other assets</u>                                                   | 401,906      | 177,240      |
| <u>Total assets</u>                                                                        | 129,788,738  | 139,784,954  |

**Liabilities:**

|                                                                |            |            |
|----------------------------------------------------------------|------------|------------|
| <u>Unsecured notes payable, net of purchase discount</u>       | 34,611,977 | 34,042,904 |
| <u>Term loan payable, net of deferred financing cost</u>       | 14,850,000 | 25,000,000 |
| <u>Interest reserve and other deposits held on investments</u> | 0          | 215,357    |
| <u>Accrued expenses</u>                                        | 224,180    | 582,816    |
| <u>Other liabilities</u>                                       | 26,894     | 252,045    |
| <u>Total liabilities</u>                                       | 49,713,051 | 60,093,122 |

Commitments and contingencies (See Note 7)

**Equity:**

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| <u>Managing member</u>              | 80,075,687  | 79,691,832  |
| <u>Total equity</u>                 | 80,075,687  | 79,691,832  |
| <u>Total liabilities and equity</u> | 129,788,738 | 139,784,954 |

Loans Held for Investment

**Assets**

|                                                                                            |            |            |
|--------------------------------------------------------------------------------------------|------------|------------|
| <u>Loans held for investment, net of allowance for credit losses of \$566,541 and none</u> | 59,362,302 | 79,082,650 |
| <u>Loans held for investment acquired through participation</u>                            |            |            |

**Assets**

|                                                                                            |               |               |
|--------------------------------------------------------------------------------------------|---------------|---------------|
| <u>Loans held for investment, net of allowance for credit losses of \$566,541 and none</u> | \$ 22,445,906 | \$ 42,330,376 |
|--------------------------------------------------------------------------------------------|---------------|---------------|

**Consolidated Balance Sheet**  
**(Successor Basis)**  
**(Parenthetical) - USD (\$)**

**Jun. 30, 2023 Dec. 31, 2022**

|                                                                                 |              |              |
|---------------------------------------------------------------------------------|--------------|--------------|
| <a href="#"><u>Allowance for credit losses</u></a>                              | \$ 4,503,591 | \$ 3,937,050 |
| <a href="#"><u>Loans Held for Investment</u></a>                                |              |              |
| <a href="#"><u>Allowance for credit losses</u></a>                              | 566,541      | 0            |
| <a href="#"><u>Loans held for investment acquired through participation</u></a> |              |              |
| <a href="#"><u>Allowance for credit losses</u></a>                              | \$ 3,937,050 | \$ 3,937,050 |

**Consolidated Statement of  
Operations (Successor Basis)  
- USD (\$)**

|                                                                          | <b>3 Months Ended</b> | <b>6 Months Ended</b> |
|--------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                          | <b>Jun. 30, 2023</b>  | <b>Jun. 30, 2023</b>  |
| <b><u>Revenues</u></b>                                                   |                       |                       |
| <u>Interest income</u>                                                   | \$ 2,595,328          | \$ 5,527,232          |
| <u>Dividend and other income</u>                                         | 31,900                | 37,475                |
| <u>Revenues</u>                                                          | 2,627,228             | 5,564,707             |
| <b><u>Operating expenses</u></b>                                         |                       |                       |
| <u>Asset management and asset servicing fees paid to Terra REIT</u>      | [1] 428,883           | 863,433               |
| <u>Operating expense reimbursement to Adviser (Note 5)</u>               | [1] 406,480           | 712,360               |
| <u>Provision (reversal of provision) for credit losses</u>               | 47,349                | (67,988)              |
| <u>Professional fees</u>                                                 | 183,532               | 466,042               |
| <u>Insurance expense</u>                                                 | 21,072                | 83,191                |
| <u>General and administrative</u>                                        | 14,727                | 27,387                |
| <u>Costs and Expenses</u>                                                | 1,102,043             | 2,084,425             |
| <u>Operating income</u>                                                  | 1,525,185             | 3,480,282             |
| <b><u>Other income and expenses</u></b>                                  |                       |                       |
| <u>Unrealized gain on investments, net</u>                               | 5,829                 | 5,829                 |
| <u>Realized loss on investments, net</u>                                 | (12,512)              | (12,512)              |
| <u>(Loss) income from equity investment in unconsolidated investment</u> | (124,106)             | 190,907               |
| <u>Interest expense on unsecured notes payable</u>                       | (960,049)             | (1,912,198)           |
| <u>Interest expense on term loan</u>                                     | (355,468)             | (707,031)             |
| <u>Other income and expenses</u>                                         | (1,446,306)           | (2,435,005)           |
| <u>Net income</u>                                                        | \$ 78,879             | \$ 1,045,277          |

[1] The fees were paid, and expenses were reimbursed, to Terra Property Trust, Inc. ("Terra REIT") pursuant to a cost sharing agreement with Terra REIT ([Note 5](#)).

| Consolidated Statement of<br>Operations (Predecessor<br>Basis) - USD (\$)                | 6              |                  |
|------------------------------------------------------------------------------------------|----------------|------------------|
|                                                                                          | 3 Months Ended | Months<br>Ended  |
|                                                                                          | Jun. 30, 2022  | Jun. 30,<br>2022 |
| <b><u>Investment income</u></b>                                                          |                |                  |
| <u>Interest income</u>                                                                   | \$ 4,078,288   | \$ 8,165,702     |
| <u>Dividend and other income</u>                                                         | 8,596          | 56,957           |
| <u>Revenues</u>                                                                          | 4,086,884      | 8,222,659        |
| <b><u>Operating expenses</u></b>                                                         |                |                  |
| <u>Base management fees</u>                                                              | 670,327        | 1,292,145        |
| <u>Reversal of incentive fees on capital gains</u>                                       | [1] (158,315)  | (33,674)         |
| <u>Operating expense reimbursement to Adviser (Note 5)</u>                               | 316,859        | 617,049          |
| <u>Servicing fees (Note 2, Note 5)</u>                                                   | 121,133        | 240,107          |
| <u>Interest expense on unsecured notes payable</u>                                       | 766,499        | 1,531,038        |
| <u>Professional fees</u>                                                                 | 234,104        | 589,408          |
| <u>Interest expense from obligations under participation agreements (Note 5)</u>         | 140,315        | 261,882          |
| <u>Interest expense on term loan</u>                                                     | 410,777        | 682,281          |
| <u>Directors' fees</u>                                                                   | 27,126         | 57,252           |
| <u>Insurance expense</u>                                                                 | 61,570         | 128,722          |
| <u>Transaction costs</u>                                                                 | 1,145,880      | 1,145,880        |
| <u>General and administrative</u>                                                        | 14,301         | 22,574           |
| <u>Total operating expenses</u>                                                          | 3,750,576      | 6,534,664        |
| <u>Net investment income before income taxes</u>                                         | 336,308        | 1,687,995        |
| <u>Income tax expense</u>                                                                | 57,005         | 496,658          |
| <u>Net investment income</u>                                                             | 279,303        | 1,191,337        |
| <u>Realized loss on investments, net</u>                                                 | 22,523         | 55,783           |
| <u>Net income</u>                                                                        | \$ (512,270)   | \$ 1,022,972     |
| <b><u>Per common share data:</u></b>                                                     |                |                  |
| <u>Net investment income per share (in USD per share)</u>                                | \$ 0.03        | \$ 0.15          |
| <u>Net increase in net assets resulting from operations per share (in USD per share)</u> | \$ (0.06)      | \$ 0.13          |
| <u>Weighted average common shares outstanding (in shares)</u>                            | 8,110,168      | 8,098,531        |
| <u>Loans Held for Investment</u>                                                         |                |                  |
| <b><u>Operating expenses</u></b>                                                         |                |                  |
| <u>Net change in unrealized depreciation on investments</u>                              | \$ (828,675)   | \$ (251,088)     |
| <u>Obligations under Participation Agreements</u>                                        |                |                  |
| <b><u>Operating expenses</u></b>                                                         |                |                  |
| <u>Net change in unrealized depreciation on investments</u>                              | \$ 14,579      | \$ 26,940        |

[1] For the three and six months ended June 30, 2022, the Company reversed previously accrued incentive fees on capital gains of \$158,315 and \$33,674, respectively. Incentive fees on capital gains were based on 20% of net realized and unrealized capital gains. No incentive fees on capital

gains were actually payable by the Company with respect to unrealized gains unless and until those gains were realized.



**Consolidated Statement of  
Operations (Predecessor  
Basis) (Parenthetical) - USD  
(\$)**

**3 Months Ended  
  
Jun. 30, 2022**

**6  
Months  
Ended  
Jun. 30,  
2022**

|                                                             |                  |                |
|-------------------------------------------------------------|------------------|----------------|
| <a href="#">Reversal of incentive fees on capital gains</a> | [1] \$ (158,315) | \$<br>(33,674) |
| <a href="#">Related Party</a>                               |                  |                |
| <a href="#">Reversal of incentive fees on capital gains</a> | \$ 158,315       | \$<br>33,674   |

[1] For the three and six months ended June 30, 2022, the Company reversed previously accrued incentive fees on capital gains of \$158,315 and \$33,674, respectively. Incentive fees on capital gains were based on 20% of net realized and unrealized capital gains. No incentive fees on capital gains were actually payable by the Company with respect to unrealized gains unless and until those gains were realized.

| Consolidated Statement of<br>Changes in Member's<br>Capital (Successor Basis) -<br>USD (\$) | 3 Months Ended   |                  | 6 Months<br>Ended | 12 Months Ended                        |
|---------------------------------------------------------------------------------------------|------------------|------------------|-------------------|----------------------------------------|
|                                                                                             | Jun. 30,<br>2023 | Mar. 31,<br>2023 | Jun. 30,<br>2023  | Dec. 31, 2022                          |
| <a href="#">Accounting Standards Update [Extensible Enumeration]</a>                        |                  |                  |                   | Accounting Standards<br>Update 2016-13 |
| <b><a href="#">Changes in Members' Capital [Roll Forward]</a></b>                           |                  |                  |                   |                                        |
| <a href="#">Beginning balance</a>                                                           | \$ 79,996,808    | \$ 79,691,832    | \$ 79,691,832     |                                        |
| <a href="#">Net income</a>                                                                  | 78,879           | 966,398          | 1,045,277         |                                        |
| <a href="#">Ending balance</a>                                                              | 80,075,687       | 79,996,808       | 80,075,687        | \$ 79,691,832                          |
| <a href="#">Cumulative effect of credit loss accounting standard</a>                        |                  |                  |                   |                                        |
| <b><a href="#">Changes in Members' Capital [Roll Forward]</a></b>                           |                  |                  |                   |                                        |
| <a href="#">Beginning balance</a>                                                           |                  | (661,422)        | (661,422)         |                                        |
| <a href="#">Ending balance</a>                                                              |                  |                  |                   | (661,422)                              |
| <a href="#">Managing Member</a>                                                             |                  |                  |                   |                                        |
| <b><a href="#">Changes in Members' Capital [Roll Forward]</a></b>                           |                  |                  |                   |                                        |
| <a href="#">Beginning balance</a>                                                           | 79,996,808       | 79,691,832       | 79,691,832        |                                        |
| <a href="#">Net income</a>                                                                  | 78,879           | 966,398          |                   |                                        |
| <a href="#">Ending balance</a>                                                              | \$ 80,075,687    | 79,996,808       | 80,075,687        | 79,691,832                             |
| <a href="#">Managing Member   Cumulative effect of credit loss accounting standard</a>      |                  |                  |                   |                                        |
| <b><a href="#">Changes in Members' Capital [Roll Forward]</a></b>                           |                  |                  |                   |                                        |
| <a href="#">Beginning balance</a>                                                           |                  | \$ (661,422)     | \$ (661,422)      |                                        |
| <a href="#">Ending balance</a>                                                              |                  |                  |                   | \$ (661,422)                           |

| Consolidated Statements of<br>Changes in Net Assets<br>(Predecessor Basis) - USD (\$)      | 3 Months<br>Ended<br>Jun. 30, 2022 | 6 Months<br>Ended<br>Jun. 30, 2022 |
|--------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| <b><u>Operations</u></b>                                                                   |                                    |                                    |
| <u>Net investment income</u>                                                               | \$ 279,303                         | \$ 1,191,337                       |
| <u>Realized loss on investments, net</u>                                                   | 22,523                             | 55,783                             |
| <u>Net income</u>                                                                          | (512,270)                          | 1,022,972                          |
| <b><u>Stockholder distributions</u></b>                                                    |                                    |                                    |
| <u>Distributions from return of capital</u>                                                | (919,973)                          | (1,696,398)                        |
| <u>Distributions from net investment income</u>                                            | 0                                  | (130,807)                          |
| <u>Net decrease in net assets resulting from stockholder distributions</u>                 | (919,973)                          | (1,827,205)                        |
| <b><u>Capital share transactions</u></b>                                                   |                                    |                                    |
| <u>Reinvestment of stockholder distributions</u>                                           | 213,424                            | 425,287                            |
| <u>Net increase in net assets resulting from capital share transactions</u>                | 213,424                            | 425,287                            |
| <u>Net depreciation in net assets</u>                                                      | (1,218,819)                        | (378,946)                          |
| <u>Net assets, at beginning of period</u>                                                  | 74,426,517                         | 73,586,644                         |
| <u>Net assets, at end of period</u>                                                        | \$ 73,207,698                      | \$ 73,207,698                      |
| <b><u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u></b>                   |                                    |                                    |
| <u>Beginning balance (in shares)</u>                                                       | 8,102,167                          | 8,078,627                          |
| <u>Shares issued from reinvestment of stockholder distributions (in shares)</u>            | 23,291                             | 46,831                             |
| <u>Ending balance (in shares)</u>                                                          | 8,125,458                          | 8,125,458                          |
| <u>Net change in unrealized depreciation on investments</u>                                |                                    |                                    |
| <b><u>Operations</u></b>                                                                   |                                    |                                    |
| <u>Net change in unrealized depreciation on investments</u>                                | \$ (828,675)                       | \$ (251,088)                       |
| <u>Net change in unrealized depreciation on obligations under participation agreements</u> |                                    |                                    |
| <b><u>Operations</u></b>                                                                   |                                    |                                    |
| <u>Net change in unrealized depreciation on investments</u>                                | \$ 14,579                          | \$ 26,940                          |

**Consolidated Statement of  
Cash Flows (Successor Basis)**

**6 Months  
Ended  
Jun. 30,  
2023  
USD (\$)**

**Cash flows from operating activities:**

Net income \$ 1,045,277

**Adjustments to reconcile net income from operations to net cash used in operating activities:**

Provision (reversal of provision) for credit losses (67,988)

Amortization of premiums and discounts on investments 744,316

Amortization and accretion of investment-related fees, net (226,859)

Amortization of discount on debt 569,073

Distribution from equity investments 526,998

(Loss) income from equity investment in unconsolidated investment (190,907)

Realized loss on investments, net 12,512

Net change in unrealized depreciation on investments (5,829)

**Changes in operating assets and liabilities:**

Decrease in interest receivable 187,954

Increase in prepaid expenses and other assets (224,666)

Decrease in interest reserve and other deposits held on investments (215,357)

Decrease in accrued expenses (358,636)

Decrease in other liabilities (252,044)

Net cash provided by operating activities 1,543,844

**Cash flows from investing activities:**

Repayment of loans 41,777,390

Purchase of equity interest in unconsolidated investment (27,354,342)

Purchase of held-to-maturity debt securities (10,012,512)

Proceeds from redemption of held-to-maturity debt securities 10,000,000

Origination and purchase of loans (3,256,570)

Purchase of marketable securities (525,867)

Net cash provided by investing activities 10,628,099

**Cash flows from financing activities:**

Repayments of borrowings under term loan payable (10,000,000)

Payment of financing costs (150,000)

Net cash provided by financing activities (10,150,000)

Net increase in cash, cash equivalents and restricted cash 2,021,943

Cash, cash equivalents and restricted cash, at beginning of period 6,739,953

Cash, cash equivalents and restricted cash, at end of period 8,761,896

**Supplemental disclosure of cash flow information:**

Cash paid for interest 2,050,156

Income taxes paid 225,000

**Supplemental disclosure of cash flow information:**

Settlement of a mezzanine loan accounted for as an equity investment in exchange for equity interest in a joint venture that owns real estate (Note 3) \$ 10,149,642

**Consolidated Statements of  
Cash Flows (Predecessor  
Basis)**

**6 Months  
Ended  
Jun. 30, 2022  
USD (\$)**

**Cash flows from operating activities:**

Net (decrease) increase in net assets resulting from operations \$ 1,022,972

**Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:**

Net realized gain on investments (55,783)  
Amortization and accretion of investment-related fees, net (526,576)  
Amortization of discount on debt issuance 178,352  
Amortization of deferred financing costs 120,838  
Purchases of investments (45,506,615)  
Repayments and proceeds from sale of investments 35,689,626

**Changes in operating assets and liabilities:**

Increase in interest receivable (342,289)  
Decrease in prepaid expenses and other assets 251,107  
Decrease in interest reserve and other deposits held on investments (29,711)  
Decrease in due to related party (3,108,922)  
Decrease in due to Adviser, net (185,915)  
Increase in accrued expenses 117,582  
Increase in interest payable from obligations under participation agreements 43,364  
Decrease in other liabilities (36,900)  
Net cash provided by operating activities (12,144,722)

**Cash flows from financing activities:**

Proceeds from borrowings under term loan payable 20,000,000  
Payments of stockholder distributions (1,401,918)  
Proceeds from obligations under participation agreements 959,293  
Net cash provided by financing activities 19,557,375  
Net increase in cash, cash equivalents and restricted cash 7,412,653  
Cash, cash equivalents and restricted cash, at beginning of period 12,456,874  
Cash, cash equivalents and restricted cash, at end of period 19,869,527

**Supplemental disclosure of cash flow information:**

Cash paid for interest 2,069,892  
Income taxes paid 206,413

**Supplemental non-cash information:**

Reinvestment of stockholder distributions 425,287  
Loans Held for Investment

**Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:**

Net change in unrealized depreciation on investments 251,088  
Obligations under Participation Agreements

**Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:**

Net change in unrealized depreciation on investments

\$ (26,940)

**Principal Business and  
Organization**

**6 Months Ended  
Jun. 30, 2023**

[Organization, Consolidation  
and Presentation of  
Financial Statements  
\[Abstract\]](#)

[Principal Business and  
Organization](#)

**Principal Business and Organization**

Terra Income Fund 6, LLC (“Terra LLC”) was formed as a Delaware limited liability company on April 29, 2022 as a wholly owned subsidiary of Terra Property Trust, Inc. (“Terra REIT”). On October 1, 2022, pursuant to an Agreement and Plan of Merger, dated as of May 2, 2022 (as amended, the “Merger Agreement”), Terra Income Fund 6, Inc. (“Terra BDC”) merged with and into Terra LLC, with Terra LLC continuing as the surviving entity of the merger (the “Merger”) ([Note 5](#)). Subsequent to the Merger, Terra LLC became the successor of Terra BDC and assumed all of Terra BDC’s rights and obligations. As context requires, the “Company” refers to Terra BDC prior to the Merger and its successor, Terra LLC, after the Merger.

Terra BDC was incorporated under the general corporation laws of the State of Maryland on May 15, 2013. Terra BDC elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). On September 29, 2022, Terra BDC withdrew its election to be regulated as a BDC. Terra BDC was an externally managed, non-diversified, closed-end management investment company that elected to be taxed and qualified annually thereafter, as a real estate investment trust (“REIT”) for U.S. federal income tax purposes under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). Subsequent to the Merger, Terra LLC’s sole member is responsible for paying tax, if any, on the Company’s taxable income.

Terra BDC’s investment activities were externally managed by Terra Income Advisors, LLC (“Terra Income Advisors” or the “Adviser”), a private investment firm affiliated with Terra BDC, pursuant to an investment advisory and administrative services agreement (the “Investment Advisory Agreement”), under the oversight of Terra BDC’s board of directors (the “Terra BDC Board”), a majority of whom were independent directors. In connection with the Merger, the Investment Advisory Agreement was terminated, and the former members of the Terra BDC Board were elected to the board of directors of Terra REIT (the “Terra REIT Board”). Terra LLC does not have a board of directors and Terra REIT is the sole and managing member of Terra LLC. Terra REIT’s investments activities are externally managed by Terra REIT Advisors, LLC (“REIT Manager”), an affiliate of the Company.

In February 2021, Terra BDC issued \$38.4 million in aggregate principal amount of 7.00% fixed-rate notes due 2026, for net proceeds of \$37.2 million, after deducting underwriting commissions of \$1.2 million, see “*Unsecured Notes Payable*” in [Note 6](#) for more information.

The Company is a wholly owned subsidiary of Terra REIT, and its investment objective is to provide attractive risk-adjusted returns to Terra REIT’s stockholders, primarily through Terra REIT’s regular distributions. The Company structures, acquires and maintains a portfolio of investments that generate a stable income stream. The Company directly structures, underwrites and originates 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; however, the Company may acquire existing

loans from the originating lender should its adviser determine such an investment is in its best interest. 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. The Company may also seek to realize growth in the value of its investments by timing their sale to maximize value.



## Summary of Significant Accounting Policies

### [Accounting Policies](#)

#### [\[Abstract\]](#)

### [Summary of Significant Accounting Policies](#)

6 Months Ended  
Jun. 30, 2023

## Summary of Significant Accounting Policies

### *Basis of Presentation*

The accompanying interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") and include the accounts of the Company and its consolidated subsidiaries. The accompanying interim consolidated financial statements 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. Terra BDC operated as and met the criteria of an investment company, as defined under U.S. GAAP, and applied accounting and reporting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 946, *Financial Services — Investment Companies* ("ASC 946"). As a result of the Merger, Terra LLC has not met the requirements to be classified as an investment company since October 1, 2022. The consolidated financial statements of Terra LLC, as an operating company and reports its investments at historical cost (the "Successor Basis"). The consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition as of and for the periods presented. The interim consolidated financial statements for the three and six months ended June 30, 2022, reflect Terra BDC's financial results as an investment company. The consolidated financial statements as of June 30, 2023 and December 31, 2022, and for the three and six months ended June 30, 2022, reflect Terra LLC's financial results as an operating company.

### *Consolidation*

As provided under Regulation S-X and ASC Topic 946, the Terra BDC generally did not consolidate its investment in a company other than a subsidiary or controlled operating company whose business consists of providing services to Terra BDC. Accordingly, Terra BDC consolidated the accounts of its subsidiaries that meet the aforementioned criteria in its consolidated financial statements as of June 30, 2022.

Terra LLC consolidates entities in which it has a controlling financial interest based on either the variable interest entity ("VIE") or voting interest model. Terra LLC is required to first apply the VIE model to determine whether it holds a variable interest in an entity, and if so, whether the entity is a VIE. If the entity is not a VIE, it then applies the VOE model. Under the VOE model, Terra LLC consolidates an entity when it holds a majority of the entity's voting interest.

Terra LLC accounts for investments in which it has significant influence but not a controlling financial interest using the equity method of accounting. Intercompany balances and transactions have been eliminated in consolidation.

### *Cash and Cash Equivalents*

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

### *Restricted Cash*

Restricted cash represents cash held as additional collateral by the Company on behalf of the borrowers related to the investments for the payment of interest and property-related operating payments. There is a corresponding liability of the same amount on the statements of assets and liabilities for restricted cash and other deposits held on investments."

The following table provides a reconciliation of cash, cash equivalents and restricted cash in the Company's consolidated balance sheets to the amounts shown in its statements of cash flows:

|                                                                                                     | June 30, 2023 |    |
|-----------------------------------------------------------------------------------------------------|---------------|----|
| Cash and cash equivalents                                                                           | \$ 8,761,896  | \$ |
| Restricted cash                                                                                     | —             |    |
| Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows | \$ 8,761,896  | \$ |

### *Loans Held for Investment*

The Company originates, acquires, and structures, or acquires through participations, real estate-related loans generally to be held to maturity ("loans"). Loans held for investment are carried at the principal amount outstanding, adjusted for the accretion of discounts on investments and amortization of premiums on investments and origination fees. The Company's preferred equity investments, which are economically similar to loans, but subordinate to any loans but senior to common equity, are accounted for as loans held for investment. Loans are carried at amortized cost less allowance for credit losses.

Prior to the Merger and under Predecessor Basis of accounting, the Company's investments were reported at fair value, with the changes in fair value reported as changes in unrealized gains or losses on investments in the consolidated statements of operations.

### *Current Expected Credit Losses Reserve*

ASC 326, *Financial Instruments – Credit Losses*, became effective for the Company on January 1, 2023. ASC 326 mandates the use of a current expected credit loss (“CECL”) model for estimating future credit losses of certain financial instruments measured at amortized cost, instead of the “incurred loss” model required under U.S. GAAP. The CECL model requires the consideration of possible credit losses over the life of an instrument as opposed to only losses upon the occurrence of a discrete loss event under the previous “incurred loss” methodology. The CECL model

applies to the Company’s loan portfolio and the held-to-maturity debt securities which are carried at amortized cost, including future funding commitments. The Company does not have the unconditional right to cancel. Amortized cost is defined as the principal amount outstanding, adjusted for discounts and disposition fees, and amortization of purchase premiums and origination fees, and includes accrued interest receivable related to the loans. As permitted by ASC 326, the Company elected not to measure an allowance for credit losses on accrued interest receivable (which is presented on the consolidated balance sheet), but rather write off in a timely manner by reversing interest income that would likely be uncollectible. The Company’s CECL model resulted in a \$0.7 million increase to total reserve, including reserve on future funding commitments, which was recognized as a cumulative adjustment to member’s capital as of January 1, 2023. Subsequent to the adoption of the CECL model, any increase or decrease to the CECL reserve is recognized in the consolidated statement of operations.

The Company utilizes information obtained from internal and external sources relating to past events, current conditions and reasonable forecasts about the future to determine the expected credit losses for its loan portfolio. The Company does not have a meaningful history of realized credit losses, so it has subscribed to a third-party database service to provide the Company with industry losses for its loans. The Company utilizes a loan loss rate approach among banks and commercial mortgage REITs and is marketed by a leading commercial mortgage-based security data analytics provider. It employs a forecast expected losses at the loan level based on a commercial real estate loan securitization database that contains activity dating back to 1990. The model uses specific loan-level inputs which include loan-to-value and debt service coverage ratio metrics, as well as principal balances, property type, location, loan type, original or remaining term, expected repayment dates and contractual future funding commitments. The Company selects from a group of macroeconomic forecasts included in the model that are updated regularly based on current economic trends. Because the Company’s loan portfolio consists of a small number of loans, the Company measures the CECL reserve based on an evaluation of each loan as its own segregated asset. Based on the CECL model, the model determines a loan loss rate through the generation of probability of defaults (PD) and loss given defaults (LGD) for each loan. The CECL reserve is determined by applying the loan loss rate to the total outstanding loan balance of each loan. These results require a significant amount of judgment applied in analyzing the results produced by the models to determine the allowance for credit losses. Changes in such estimates can significantly affect the

The calculation of the estimate of expected credit loss considers historical experience and current conditions for each loan and reasonable forecasts about the future. The reasonable and supportable forecast period is determined based on the Company’s assessment of the most likely scenario and plausible outcomes for the U.S. economy, current portfolio composition, level of historical loss forecast estimates, material changes in growth and other factors that may affect its loss experience. The Company regularly evaluates the reasonable and supportable forecast period to determine if

Beyond the Company’s reasonable and supportable forecast period, the Company generally reverts to historical loss information, pooled by loan structure, over the remaining loan period, taken from a period that most accurately reflects the expectation of conditions expected to exist during the forecast period. The Company may adjust historical loss information for differences in risk that may not reflect the characteristics of its current portfolio, including loan-to-value and debt service coverage ratios, among other relevant factors. The method of reversion selected represents the best estimate of historical loss for investments and is reevaluated each reporting period. The Company generally expects to use an average historical loss for reversion, utilizing an average method for the remaining life of the loans.

The Company also performs a qualitative assessment beyond model estimates and applies qualitative adjustments as necessary. The Company’s review includes a review of data that may directly impact its estimates including internal and external information about the loan or property including geographic asset specific conditions, property operations or borrower/sponsor details (i.e., refinance, sale, bankruptcy) which allows the Company to determine expected loss more accurately and reasonably for these investments. The Company also evaluates the contractual life of its loans to determine contractual extension options, renewals, modifications, and prepayments.

During the loan review process, if the Company determines that it is not able to collect all amounts due for both principal and interest over the terms of a loan, the Company considers that loan non-performing. For all non-performing loans, such as those in default, collateral-dependent or historical troubled debt restructurings, the Company removes these loans from the industry loss rate approach described above and analyzes them separately. The loss reserve for these loans is calculated as any excess of the amortized cost of the loan over (i) the present value of expected future cash flows discounted at the discount rate or (ii) the fair value of collateral, if repayment is expected solely from the collateral.

Some of the Company’s loans include commitments to fund incremental proceeds to the borrowers over the life of the loan and these unfunded commitments are subject to the CECL model because the Company does not have an unconditional right to cancel such commitments. The CECL reserve related to these commitments is recorded as a component of other liabilities on the Company’s consolidated balance sheets. This CECL reserve is estimated using the same methodology for the Company’s outstanding loan balances and increases or decreases in the CECL reserve relating to unfunded commitments are also recorded in the consolidated statements of operations.

As discussed below in Recent Accounting Pronouncements, the Company adopted the provisions of Accounting Standards Update (“ASU”) 2022-02, *Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures* (“ASU 2022-02”) concurrently with the adoption of ASU 2023-02, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses*, prospectively.

### **Marketable Securities**

From time to time, the Company may invest in short term debt and equity securities. These securities are classified as available-for-sale securities and are reported at fair value. Changes in the fair value of equity securities are recognized in earnings. Changes in the fair value of debt securities are reported in other comprehensive income until a gain or loss on the securities is realized.

### ***Held-to-Maturity Debt Securities***

The Company classifies debt securities for which it has both the positive intent and ability to hold until maturity of the security as held-to-maturity. These securities are recorded at amortized cost with changes in amortized cost recognized in earnings until realized. Held-to-maturity debt securities are subject to the CECL reserve described above.

### ***Revenue Recognition***

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company is entitled in exchange for those goods or services.

**Interest Income:** Interest income is accrued based upon the outstanding principal amount and contractual terms of the loans and preferred equity. The Company expects to collect, and it is accrued and recorded on a daily basis. Discounts and premiums on investments purchased are accreted or amortized over the life of the respective loan using the effective yield method, and are included in interest income in the consolidated statements of operations. Loan origination fees, net of portions attributable to obligations under participation agreements, are capitalized and amortized or accreted to interest income over the life of the loan using the effective yield method. Outstanding interest receivable is assessed for recoverability. The Company generally reverses the accrued and uncollected interest income and no longer accrues for the interest when, in the opinion of the Manager, recovery of income and principal becomes doubtful. Interest on nonaccrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability.

The Company holds loans in its portfolio that contain paid-in-kind ("PIK") interest provisions. The PIK interest, which represents contractual interest added to the principal balance that is due at maturity, is recorded on the accrual basis.

**Other Revenues:** Prepayment fee income is recognized as prepayments occur. All other income is recognized when earned.

### ***Deferred Debt Issuance Costs***

The Company records issue discounts and other financing costs related to its debt obligation as deferred debt issuance costs, which are presented as a contra liability from the carrying value of the related debt liability. These expenses are deferred and amortized using the effective interest method over the term of the debt obligation.

### ***Stockholder Dividends and Distributions***

Dividends and distributions to stockholders, which were determined in accordance with federal income tax regulations, were recorded on the date the amount to be paid out as a dividend or distribution was approved by the Terra BDC Board. Net realized capital gains, if any, were generally distributed at least annually. Terra BDC adopted an "opt in" DRIP pursuant to which stockholders may elect to have the full amount of stock distributions reinvested in additional shares of common stock. Participants in the DRIP were free to elect to participate or terminate participation in the plan at any time as specified in the plan. For stockholders who have opted into the DRIP, they had their cash distributions reinvested in additional shares of common stock instead of receiving the cash distributions. Pursuant to the

DRIP, shares were issued at a price equal to Terra BDC's most recently disclosed net asset value ("NAV") per share of its common stock immediately prior to the distribution payment date. In connection with the Merger, the DRIP was terminated and Terra REIT will make monthly distributions to stockholders. After the Merger, the Terra REIT Board adopted a distribution reinvestment plan (the "Plan"), pursuant to which Terra REIT's stockholders may elect to reinvest their distributions by Terra REIT in additional shares of Class A Common Stock and Class B Common Stock, at the price per share determined pursuant to the Plan.

### ***Incentive Fee on Capital Gains***

Pursuant to the terms of the Investment Advisory Agreement, the incentive fee on capital gains was determined and payable in arrears as of the end of each quarter (or upon termination of the Investment Advisory Agreement). This fee equaled 20.0% of Terra BDC's incentive fee on capital gains, which equaled the 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 gains on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. On a quarterly basis, Terra BDC accrued its 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 did not contemplate 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, Terra BDC accrued for this incentive fee to include unrealized gains in the calculation of its capital gains incentive fee expense and related accrued capital gains incentive fee. This accrual reflected the incentive fees that would be payable to Terra BDC's entire portfolio was liquidated at its fair value as of the balance sheet date even though Terra Income Advisors was not entitled to an incentive fee with respect to unrealized gains unless and until such gains are actually realized.

In connection with the Merger, the Investment Advisory Agreement was terminated and the Company no longer pays any fees to the Advisor. The incentive fee payable by Terra REIT pursuant to its management agreement with the REIT Manager. Terra LLC and Terra REIT have entered into a cost sharing agreement (the "Cost Sharing Agreement") pursuant to which Terra LLC will be responsible for its allocable share of Terra REIT's expenses, including the incentive fee payable to the REIT Manager.

### ***Servicing Fee***

Terra BDC paid selected dealers a servicing fee at an annual rate of 0.75% of the most recently published NAV per share, excluding the amount payable to the DRIP, in exchange for providing certain administrative support services (Note 5) to stockholders such as establishing and maintaining stockholder

service support and assisting stockholders in changing account options, account designations and account addresses. The servicing fee was recorded in the consolidated statements of operations in the period in which it was incurred. In connection with the Merger, the servicing plan was terminated and is no longer payable.

### ***Income Taxes***

Terra BDC 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. To qualify as a REIT, Terra BDC was required, among other things, to distribute dividends equal to at least 90% of its REIT net taxable income to its stockholders and meet certain tests regarding the nature of its income and assets. As a REIT, Terra BDC was not subject to U.S. federal income taxes on its income distributed to the stockholders as long as certain requirements were satisfied, principally relating to the nature of income and the level of distributions, as discussed below. For the nine months ended September 30, 2022, Terra BDC satisfied all the requirements for a REIT. Subsequent to the Merger, Terra REIT, the successor entity, will be responsible for paying tax, if any, on the Company's taxable income.

Terra BDC held certain portfolio company investments through consolidated taxable REIT subsidiaries ("TRSs"). Such subsidiaries may be subject to federal and state corporate-level income taxes. These consolidated subsidiaries recognized deferred tax assets and liabilities for the estimated future tax consequences of temporary differences between the tax basis of certain assets and liabilities and the reported amounts included in the accompanying consolidated financial statements using the applicable statutory tax rates in effect for the year in which any such temporary differences are expected to reverse. In connection with the Merger, on October 1, 2022, Terra BDC's TRS became a qualified REIT subsidiary of Terra LLC.

Terra BDC did not have any uncertain tax positions that met the recognition or measurement criteria under accounting for income taxes, and therefore did not recognize any unrecognized tax benefits as of the periods presented herein. Terra BDC recognized interest and penalties, if any, related to unrecognized tax liabilities as an expense in its statements of operations. For the

nine months ended September 30, 2022, Terra BDC did not incur any interest or penalties. Terra BDC's 2019-2022 federal tax years remain subject to review by the Internal Revenue Service and the state department of revenue.

### ***Use of Estimates***

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

### ***Recent Accounting Pronouncements***

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. In January 2019, the FASB issued additional amendments to clarify the scope of ASU 2016-13 and address issues related to accrued interest receivable balances, interest rates and prepayments, among other things. In May 2019, the FASB issued ASU 2019-05 — Targeted Transition Relief, which provides an alternative method to elect the fair value option for certain financial assets previously measured at amortized cost basis. In October 2019, the FASB decided that for smaller reporting companies, ASU 2016-13 and related amendments will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company meets the definition of a smaller reporting company under the regulation of the Securities and Exchange Commission. The Company adopted the related amendments on January 1, 2023. The adoption of ASU 2016-13 resulted in an incremental reserve of approximately \$0.7 million, which was recorded as a credit to loan funding commitments. The Company recorded the cumulative effect of initially applying this guidance as an adjustment to member's equity at the beginning of the retrospective method of adoption.

London Interbank Offered Rate ("LIBOR") is a benchmark interest rate referenced in a variety of agreements that are used by all types of financial institutions. In March 2020, the U.K. Financial Conduct Authority, which regulates the LIBOR administrator, ICE Benchmark Administration Limited ("IBA"), announced that it expects that all LIBOR rates will be discontinued by the end of 2021, which has subsequently been delayed to June 30, 2023. In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) — Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of LIBOR if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another benchmark rate that is to be discontinued because of reference rate reform. In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848), which amended ASU 2020-04 to include derivative instruments impacted by discounting transition ("ASU 2021-01"). In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848) — Deferral of the Sunset Date of Topic 848 ("ASU 2022-06"). ASU 2022-06 deferred the sunset date of ASU 2020-04 to December 31, 2024. If event LIBOR is unavailable, the Company's investment documents provide for a substitute index, on a basis generally consistent with market practice, that would place the Company in substantially the same economic position as LIBOR. As a result, the Company has not adopted the new ASUs and does not expect the adoption of ASU 2020-04 and ASU 2021-01 to have a material impact on its consolidated financial statements and disclosures. In March 2022, the FASB issued ASU 2022-02, Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructuring and Vintage Disclosures ("ASU 2022-02"). ASU 2022-02 eliminates troubled debt restructuring guidance for organizations that are not public business entities. The amendments in ASU 2016-13 while providing for additional disclosures for loan modifications. ASU 2022-02 also amends the disclosure guidance for public business entities. The Company adopted the provisions of ASU 2022-02 concurrently with the adoption of ASU 2016-13. The adoption of ASU 2022-02 did not have any material impact on the Company's financial condition and operations.

## Loans Held for Investment

6 Months Ended  
Jun. 30, 2023

[Receivables \[Abstract\]](#)

[Loans Held for Investment](#)

Loans Held for Investment The Company elected the practical expedient under ASC 326 to exclude accrued interest from June 30, 2023 and December 31, 2022, accrued interest receivable of \$1.3 million and \$1.4 million, respectively, is included on the consolidated balance sheets, and is excluded from the amortized cost of loans held for investment.

### Portfolio Summary

The following table provides a summary of the Company's loan portfolio:

|                                         | June 30, 2023 |                                 |               | December 31, 2022 |                                 |                |
|-----------------------------------------|---------------|---------------------------------|---------------|-------------------|---------------------------------|----------------|
|                                         | Fixed Rate    | Floating Rate <sup>(1)(2)</sup> | Total         | Fixed Rate        | Floating Rate <sup>(1)(2)</sup> | Total          |
| Number of loans                         | 4             | 2                               | 6             | 6                 | 3                               | 9              |
| Principal balance                       | \$ 43,267,842 | \$ 42,271,673                   | \$ 85,539,515 | \$ 61,913,795     | \$ 61,826,111                   | \$ 123,739,906 |
| Carrying value                          | \$ 43,487,381 | \$ 38,320,827                   | \$ 81,808,208 | \$ 62,781,893     | \$ 58,631,111                   | \$ 121,413,004 |
| Fair value                              | \$ 43,273,776 | \$ 39,113,475                   | \$ 82,387,251 | \$ 62,035,611     | \$ 58,244,111                   | \$ 120,279,722 |
| Weighted-average coupon rate            | 13.7%         | 16.4%                           | 15.0%         | 14.1%             | 14.4%                           | 14.3%          |
| Weighted-average remaining term (years) | 0.70          | 0.78                            | 0.71          | 0.86              | 0.77                            | 0.81           |

(1) These loans pay a coupon rate of LIBOR, Secured Overnight Financing Rate ("SOFR"), or forward-looking term rate based on SOFR ("Term SOFR"), plus a fixed spread. Coupon rates shown were determined using LIBOR of 5.2% and average SOFR and Term SOFR of 5.1% as of June 30, 2023, and average SOFR of 4.1% as of December 31, 2022.

(2) As of June 30, 2023 and December 31, 2022, two and three loans, respectively, were subject to a LIBOR, SOFR or Term SOFR floor, as applicable.

### Lending Activities

The following table presents the activities of the Company's loan portfolio for the six months ended June 30, 2023:

|                                                                                                                       | Loans Held for Investment | Loans Held for Investment through Participation Interest |
|-----------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------|
| Balance, January 1, 2023                                                                                              | \$ 79,082,650             | \$ 42,330,375                                            |
| Cumulative effect of adoption of credit loss accounting standard effective January 1, 2023 ( <a href="#">Note 2</a> ) | (593,040)                 | —                                                        |
| New loans made                                                                                                        | 3,023,096                 | 233,475                                                  |
| Principal repayments received                                                                                         | (21,655,810)              | (20,121,588)                                             |
| Net amortization of discounts on loans                                                                                | (662,905)                 | (81,411)                                                 |
| Accrual, payment and accretion of investment-related fees and other, net                                              | 141,812                   | 85,041                                                   |
| Reversal of provision for credit losses                                                                               | 26,499                    | —                                                        |
| Balance, June 30, 2023                                                                                                | \$ 59,362,302             | \$ 22,445,902                                            |

### Portfolio Information

The tables below detail the types of loans in the Company's loan portfolio, as well as the property type and geographic location of the properties.

| Loan Structure               | June 30, 2023     |                |            | December 31, 2022 |                |
|------------------------------|-------------------|----------------|------------|-------------------|----------------|
|                              | Principal Balance | Carrying Value | % of Total | Principal Balance | Carrying Value |
| Preferred equity investments | \$ 61,289,515     | \$ 61,863,420  | 75.6 %     | \$ 58,823,211     | \$ 59,407,311  |
| First mortgages              | 21,250,000        | 21,522,542     | 26.3 %     | 41,970,028        | 42,150,028     |
| Mezzanine loans              | 3,000,000         | 2,925,837      | 3.6 %      | 6,282,208         | 6,282,208      |
| Credit facility              | —                 | —              | — %        | 16,664,376        | 16,664,376     |
| Allowance for credit losses  | —                 | (4,503,591)    | (5.5)%     | —                 | (3,937,050)    |
| Total                        | \$ 85,539,515     | \$ 81,808,208  | 100.0 %    | \$ 123,739,823    | \$ 121,566,973 |

| Property Type               | June 30, 2023     |                |            | December 31, 2022 |                |
|-----------------------------|-------------------|----------------|------------|-------------------|----------------|
|                             | Principal Balance | Carrying Value | % of Total | Principal Balance | Carrying Value |
| Office                      | \$ 23,704,377     | \$ 23,704,380  | 28.9 %     | \$ 23,655,377     | \$ 23,655,377  |
| Infrastructure              | 21,250,000        | 21,522,542     | 26.3 %     | 21,250,000        | 21,250,000     |
| Multifamily                 | 19,017,842        | 19,297,442     | 23.6 %     | 17,717,211        | 18,000,000     |
| Mixed use                   | 18,567,296        | 18,861,598     | 23.1 %     | 41,452,859        | 42,150,028     |
| Student housing             | 3,000,000         | 2,925,837      | 3.6 %      | 3,000,000         | 2,925,837      |
| Industrial                  | —                 | —              | — %        | 16,664,376        | 16,664,376     |
| Allowance for credit losses | —                 | (4,503,591)    | (5.5)%     | —                 | (3,937,050)    |
| Total                       | \$ 85,539,515     | \$ 81,808,208  | 100.0 %    | \$ 123,739,823    | \$ 121,566,973 |

| Geographic Location         | June 30, 2023     |                |            | December 31, 2022 |                |
|-----------------------------|-------------------|----------------|------------|-------------------|----------------|
|                             | Principal Balance | Carrying Value | % of Total | Principal Balance | Carrying Value |
| <b>United States</b>        |                   |                |            |                   |                |
| New York                    | \$ 26,382,953     | \$ 26,382,956  | 32.3 %     | \$ 29,437,256     | \$ 29,437,256  |
| California                  | 21,567,296        | 21,787,435     | 26.6 %     | 37,114,999        | 37,114,999     |
| Utah                        | 21,250,000        | 21,522,542     | 26.3 %     | 21,250,000        | 21,250,000     |
| Georgia                     | 16,339,266        | 16,618,866     | 20.3 %     | 15,217,540        | 15,217,540     |
| North Carolina              | —                 | —              | — %        | 20,720,028        | 20,720,028     |
| Allowance for credit losses | —                 | (4,503,591)    | (5.5)%     | —                 | (3,937,050)    |
| Total                       | \$ 85,539,515     | \$ 81,808,208  | 100.0 %    | \$ 123,739,823    | \$ 121,566,973 |

#### Current Expected Credit Losses Reserve

As described in [Note 2](#), on January 1, 2023, the Company adopted the provisions of ASU 2016-13, which requires entities to recognize credit losses on financial assets measured at amortized cost and on certain off-balance sheet instruments based on an estimate of current expected credit losses. The adoption of ASU 2016-13 resulted in a \$0.7 million increase to total reserves for credit losses, which was recognized as a cumulative-effect adjustment to member's capital as of January 1, 2023.

The following table presents the activity in allowance for credit losses for funded loans:

|                                                                                                   | Six Months Ended June 30, 2023 |                 |
|---------------------------------------------------------------------------------------------------|--------------------------------|-----------------|
|                                                                                                   | 2023                           | Successor Basis |
| Allowance for credit losses, beginning of period                                                  | \$ 3,937,050                   |                 |
| Cumulative effect of adoption of ASU 2016-13 effective January 1, 2023 ( <a href="#">Note 2</a> ) |                                | 593,040         |
| Reversal of provision for credit losses                                                           |                                | (26,499)        |
| Charge-offs                                                                                       |                                | —               |
| Recoveries                                                                                        |                                | —               |
| Allowance for credit losses, end of period                                                        | \$ 4,503,591                   |                 |

Certain of the Company's loans contain provisions for future fundings, which are subject to the borrower meeting certain performance-related conditions. These unfunded commitments amounted to approximately \$1.8 million and \$5.9 million as of June 30, 2023 and December 31, 2022, respectively.

The following table presents the activity in the liability for credit losses on unfunded commitments:

|                                                                                         |                                |
|-----------------------------------------------------------------------------------------|--------------------------------|
| Liability for credit losses on unfunded commitments, beginning of period                | Six Months Ended June 30, 2023 |
| Cumulative effect of credit loss accounting standard effective January 1, 2023 (Note 2) |                                |
| Reversal of provision for credit losses                                                 |                                |
| Liability for credit losses on unfunded commitments, end of period                      |                                |

The allowance for credit losses for unfunded commitments is included in other liabilities on the consolidated balance sheets.

#### Accrued Interest Receivable

The Company elected not to measure a CECL reserve on accrued interest receivable due to the Company's policy of writing off uncollectible balances in a timely matter. If the Company determines it has uncollectible accrued interest receivable, it generally would reverse the accrued interest income and no longer accrue interest. For the three and six months ended June 30, 2023 and 2022, the Company did not reverse any interest income. All accrued interest income were deemed collectible. As of both June 30, 2023 and December 31, 2022, the Company had two loans that were in non-accrual status. For the three and six months ended June 30, 2023, interest income accrual of \$1.0 million and \$2.0 million for the three and six months ended June 30, 2023, respectively, because recovery of such interest income was not probable. As of both June 30, 2023 and December 31, 2022, there was no outstanding interest receivable on these loans.

#### Non-Performing Loans

As discussed in Note 2, for loans that are considered non-performing, the Company removes them from the industry loss rate approach and accounts for them on a specific reserve basis. As of both June 30, 2023 and December 31, 2022, the Company had two non-performing loans with total carrying value of \$26.4 million and \$26.3 million, respectively. The allowance for credit losses for these non-performing loans were \$3.9 million as of both June 30, 2023 and December 31, 2022.

#### Loan Risk Rating

The Company assesses the risk factors of each loan and assigns each loan a risk rating between 1 and 5, which is an average of the numerical ratings in the following categories: (i) sponsor capability and financial condition; (ii) loan and collateral performance relative to underwriting; (iii) quality and stability of cash flows; and (iv) loan to value. Based on a 5-point scale, the Company's loans are rated "1" through "5", from less risk to greater risk.

| Risk Rating | Description           |
|-------------|-----------------------|
| 1           | Very low risk         |
| 2           | Low risk              |
| 3           | Moderate/average risk |
| 4           | Higher risk           |
| 5           | Highest risk          |

The following table presents the amortized cost of the Company's loan portfolio by year of origination and loan risk rating as of June 30, 2023.

| Loan Risk Rating                          | June 30, 2023 |                |            |                                   |               |               |      |      |
|-------------------------------------------|---------------|----------------|------------|-----------------------------------|---------------|---------------|------|------|
|                                           | Number of     |                | % of Total | Amortized Cost by Year Originated |               |               |      |      |
|                                           | Loans         | Amortized Cost |            | 2023                              | 2022          | 2021          | 2020 |      |
| 1                                         | —             | \$ —           | — %        | \$ —                              | \$ —          | \$ —          | \$ — | \$ — |
| 2                                         | —             | —              | — %        | —                                 | —             | —             | —    | —    |
| 3                                         | 3             | 41,067,246     | 47.5 %     | —                                 | —             | 38,141,409    | —    | —    |
| 4                                         | 1             | 18,861,598     | 21.9 %     | —                                 | 18,861,598    | —             | —    | —    |
| 5                                         | —             | —              | — %        | —                                 | —             | —             | —    | —    |
| Non-performing                            | 2             | 26,382,955     | 30.6 %     | —                                 | —             | —             | —    | —    |
|                                           | 6             | 86,311,799     | 100.0 %    | \$ —                              | \$ 18,861,598 | \$ 38,141,409 | \$ — | \$ — |
| Allowance for credit losses               |               | (4,503,591)    |            |                                   |               |               |      |      |
| Total, net of allowance for credit losses |               | \$ 81,808,208  |            |                                   |               |               |      |      |

The following table presents the principal balance and the amortized cost of the Company's loans based on the loan risk rating as of December 31, 2022.

| Loan Risk Rating                          | December 31, 2022  |                   |                |
|-------------------------------------------|--------------------|-------------------|----------------|
|                                           | Number of<br>Loans | Principal Balance | Amortized Cost |
| 1                                         | —                  | \$ —              | \$ —           |
| 2                                         | —                  | —                 | —              |
| 3                                         | 7                  | 97,584,775        | 99,195,0       |
| 4                                         | —                  | —                 | —              |
| 5                                         | —                  | —                 | —              |
| Non-performing <sup>(1)</sup>             | 2                  | 26,155,048        | 26,155,0       |
|                                           | 9                  | \$ 123,739,823    | 125,350,0      |
| Allowance for credit losses               |                    |                   | (3,937,0       |
| Total, net of allowance for credit losses |                    |                   | \$ 121,413,0   |

(1) Because these loans have an event of default, they were removed from the pool of loans on which a general allowance was calculated and were individually. As of December 31, 2022, the specific allowance for credit losses on these loans were \$3.9 million, as a result of a decline in the collateral.

#### Equity Investment in Unconsolidated Investment

On December 28, 2022, the Company originated a \$10.0 million mezzanine loan to a borrower to finance the acquisition of a real estate portfolio. The Company entered into a residual profit-sharing agreement with the borrower in which the borrower would pay the Company an additional amount of cash flow from the sale of the real estate portfolio. The Company accounted for the entire arrangement as equity investment in unconsolidated investment. The Company made a cash payment of \$27.4 million and settled the \$10.0 million mezzanine loan in exchange for an 80.0% equity interest in a joint venture real estate portfolio. The Company accounts for its equity interest in the joint venture as an equity method investment because the Company does not have a controlling interest in the entity. As of

June 30, 2023 and December 31, 2022, equity investment in unconsolidated investment had a carrying value of \$37.0 million and \$10.0 million, respectively. For the six months ended June 30, 2023, the Company recorded the interest income accrued on the mezzanine loan as income from equity investment in unconsolidated investment of \$0.2 million and \$0.5 million, respectively, and the payments received on interest income as distributions from equity investment in unconsolidated investment of \$0.2 million and \$0.5 million, respectively. Additionally, for both the three and six months ended June 30, 2023, the Company recorded equity loss from unconsolidated investment of \$0.3 million.

#### Held-to-Maturity Debt Securities

In the first quarter of 2023, the Company purchased \$10.0 million of corporate bonds with a coupon rate of 6.125% that matured on May 15, 2023. The Company classified these bonds as held-to-maturity debt securities, as it had the intent and ability to hold these securities until maturity. These securities were purchased at a premium cost and were fully redeemed at par on May 15, 2023.



## Fair Value Measurements

**6 Months Ended  
Jun. 30, 2023**

### [Fair Value Disclosures](#)

#### [\[Abstract\]](#)

### [Fair Value Measurements](#)

#### Fair Value Measurements

The Company follows the provisions of ASC 820, *Fair Value Measurement* ("ASC 820"), which defines fair value, establishes a framework and expands disclosures about fair value measurements. ASC 820 established a fair value hierarchy that prioritizes and ranks the level of market price observability in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment, the characteristics of the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). Investments with actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a high degree of observability and a lesser degree of judgment used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Investments measured and classified and disclosed into one of the following categories based on the inputs as follows:

*Level 1* — Quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company has the ability to access.

*Level 2* — Pricing inputs are other than quoted prices in active markets, including, but not limited to, quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

*Level 3* — Significant unobservable inputs are based on the best information available in the circumstances, to the extent observable inputs are used. The Company's own assumptions used in determining the fair value of investments. Fair value for these investments is determined using valuation models that take into account a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, and other factors. Exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. The determination of fair value require significant management judgment.

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 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 judgment, and the Company considers factors specific to the investment.

As of June 30, 2023 and December 31, 2022, the Company had not elected the fair value option for its financial instruments, including loans receivable, held for investment acquired through participation, term loan payable and unsecured notes payable. Such financial instruments are carried at cost, less deferred costs, where applicable. Held-to-maturity debt securities are financial instruments that are reported at amortized cost.

#### *Financial Instruments Carried at Fair Value on a Recurring Basis*

From time to time, the Company may invest in short-term debt and equity securities which are classified as available-for-sale securities, and are reported on the consolidated balance sheet. Changes in the fair value of equity securities are recognized in earnings. Changes in the fair value of debt securities are recognized in comprehensive income until the securities are realized. Additionally, the Company may invest in short-term money market funds. These funds are reported as cash equivalents on the consolidated balance sheet due to their short-term nature and can be easily converted to cash.

As of December 31, 2022, the Company did not own financial instruments that were carried at fair value. The following table presents the fair value of financial instruments that were carried at fair value, by major class, as of June 30, 2023, according to the fair value hierarchy:

|                                         | June 30, 2023           |         |         |
|-----------------------------------------|-------------------------|---------|---------|
|                                         | Fair Value Measurements |         |         |
|                                         | Level 1                 | Level 2 | Level 3 |
| Money market fund <sup>(1)</sup>        | \$ 2,525,843            | \$ —    | \$ —    |
| Marketable securities - debt securities | 531,696                 | —       | —       |
| Total                                   | \$ 3,057,539            | \$ —    | \$ —    |

(1) Included in cash and cash equivalents on the consolidated balance sheets.

The following table presents the activities of the marketable securities for the periods presented.

|                                          | Six Months Ended |
|------------------------------------------|------------------|
|                                          | 2023             |
| Beginning balance                        | \$ —             |
| Purchases                                | 525,867          |
| Unrealized gain on marketable securities | 5,829            |
| Ending balance                           | \$ 531,696       |

### Financial Instruments Not Carried at Fair Value

The following table presents the carrying value and estimated fair value of the Company's financial instruments that are not carried at fair value on the balance sheets as of:

|                                                          | Level | June 30, 2023     |                |               | December 31, 2022   |                |               |
|----------------------------------------------------------|-------|-------------------|----------------|---------------|---------------------|----------------|---------------|
|                                                          |       | (Successor Basis) |                |               | (Predecessor Basis) |                |               |
|                                                          |       | Principal Balance | Carrying Value | Fair Value    | Principal Balance   | Carrying Value | Fair Value    |
| <b>Investments:</b>                                      |       |                   |                |               |                     |                |               |
| Loans held for investment                                | 3     | \$ 59,156,562     | \$ 59,928,843  | \$ 59,949,503 | \$ 77,638,191       | \$ 79,111,111  | \$ 79,111,111 |
| Loans held for investment acquired through participation | 3     | 26,382,953        | 26,382,956     | 22,437,748    | 46,101,632          | 46,101,632     | 46,101,632    |
| Allowance for credit losses                              |       | —                 | (4,503,591)    | —             | —                   | (3,111,111)    | (3,111,111)   |
| Total loans                                              |       | 85,539,515        | 81,808,208     | 82,387,251    | 123,739,823         | 122,101,132    | 122,101,132   |
| <b>Liabilities:</b>                                      |       |                   |                |               |                     |                |               |
| Unsecured notes payable <sup>(1)(2)</sup>                | 1     | \$ 38,375,000     | \$ 34,611,977  | \$ 36,533,000 | \$ 38,375,000       | \$ 34,375,000  | \$ 34,375,000 |
| Term loan payable <sup>(3)(4)</sup>                      | 3     | 15,000,000        | 14,850,000     | 15,000,000    | 25,000,000          | 25,000,000     | 25,000,000    |
|                                                          |       | \$ 53,375,000     | \$ 49,461,977  | \$ 51,533,000 | \$ 63,375,000       | \$ 59,375,000  | \$ 59,375,000 |

- (1) Carrying value is net of unamortized purchase discount of \$3.8 million and \$4.3 million as of June 30, 2023 and December 31, 2022, respectively.
- (2) Valuation falls under Level 1 of the fair value hierarchy, which is based on the trading price of \$23.80 and \$23.05 as of the close of business on June 30, 2023 and December 31, 2022, respectively.
- (3) Carrying value is net of unamortized discount of \$150,000 as of June 30, 2023.
- (4) Valuation falls under Level 3 of the fair value hierarchy, which is based on a discounted cash flow model with a discount rate of 12.48% and 12.48% as of June 30, 2023 and December 31, 2022, respectively.

### Valuation Methodology

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

Additionally, the fair value of the Company's unsecured notes payable is determined based on quoted price in an active market and is a Level 1 investment.

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. 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 investment based on the present value of the expected cash flows of the portfolio using an estimated market yield. In following this methodology, investments are evaluated individually, and management takes into account the risk-adjusted discount rate for each of the Company's investments, relevant factors, including available current market data on applicable investments; market credit spreads and yield curves; the investment's yield; covenants of the investment, including prepayment features; the company's ability to make payments, net operating income and debt service coverage ratio; construction progress reports and construction budget; and the realizable value of any collateral (and loan-to-value ratio); the forces that influence the local markets in which the asset (the collateral) is placed; and 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. Terra REIT Advisors provides the Terra REIT Board, (which is made up exclusively of independent directors) with the investment valuations that are prepared using the discounted cash flow methodology. Valuations are prepared quarterly, or more frequently as needed, with each asset in the portfolio subject to a valuation service at a minimum of once during every 12-month period. Terra REIT Advisors reviews the preliminary valuation with the Terra REIT Board. An independent valuation firm, if applicable, responds and supplements the preliminary valuation to reflect any comments provided by the Terra REIT Board. Terra REIT Advisors discusses valuations and determines the fair value of each investment in the portfolio in good faith based on various metrics and other information and recommendation provided by the Terra REIT Boards and any third-party valuation firm, if applicable.

### Significant Unobservable Inputs

The following tables summarize the significant unobservable inputs used by the Company to value the Level 3 investments as of June 30, 2023 and December 31, 2022. The following tables are not intended to be all-inclusive, but instead identify the significant unobservable inputs relevant to the determination of fair value.

| June 30, 2023                                       |               |                             |                    |         |         |
|-----------------------------------------------------|---------------|-----------------------------|--------------------|---------|---------|
| Asset Category                                      | Fair Value    | Primary Valuation Technique | Unobservable Input | Range   |         |
|                                                     |               |                             |                    | Minimum | Maximum |
| Assets:                                             |               |                             |                    |         |         |
| Loans                                               | \$ 59,949,503 | Discounted cash flow        | Discount rate      | 12.45 % |         |
| Loans through participation interest <sup>(1)</sup> | 22,437,748    | Discounted cash flow        | Discount rate      | N/A     | N/A     |
| Total Level 3 Assets                                | \$ 82,387,251 |                             |                    |         |         |

(1) Valuation for these loans is based on recovery analysis.

| December 31, 2022                    |                |                             |                    |         |         |
|--------------------------------------|----------------|-----------------------------|--------------------|---------|---------|
| Asset Category                       | Fair Value     | Primary Valuation Technique | Unobservable Input | Range   |         |
|                                      |                |                             |                    | Minimum | Maximum |
| Assets:                              |                |                             |                    |         |         |
| Loans                                | \$ 78,011,106  | Discounted cash flow        | Discount rate      | 10.51 % |         |
| Loans through participation interest | 42,269,242     | Discounted cash flow        | Discount rate      | 15.25 % |         |
| Total Level 3 Assets                 | \$ 120,280,348 |                             |                    |         |         |

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. 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.

Changes in the Company's Level 3 investments for the six months ended June 30, 2022 were as follows:

|                                                                                                                                                                     | Six Months Ended June 30, 2022 (Predecessor Period) |                             |                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------|-----------------------------|
|                                                                                                                                                                     | Loans                                               | Loans Through Participation | Total Loans and Investments |
| Balance as of January 1, 2022                                                                                                                                       | \$ 61,281,259                                       | \$ 48,349,374               | \$ 109,630,633              |
| Purchases of investments                                                                                                                                            | 27,800,788                                          | 17,705,827                  | 45,506,615                  |
| Repayments of investments                                                                                                                                           | (15,000,000)                                        | (19,844,508)                | (34,844,508)                |
| Net change in unrealized (depreciation) appreciation on investments                                                                                                 | (257,777)                                           | 96,626                      | (161,151)                   |
| Amortization and accretion of investment-related fees, net                                                                                                          | 422,449                                             | 135,505                     | 557,954                     |
| Proceeds from obligations under participation agreements                                                                                                            | —                                                   | —                           | —                           |
| Net change in unrealized depreciation on obligations under participation agreements                                                                                 | —                                                   | —                           | —                           |
| Balance as of June 30, 2022                                                                                                                                         | <u>\$ 74,246,719</u>                                | <u>\$ 46,442,824</u>        | <u>\$ 120,689,543</u>       |
| Net change in unrealized appreciation or depreciation for the period relating to those Level 3 assets that were still held by the Company at the end of the period: |                                                     |                             |                             |
| Net change in unrealized depreciation or appreciation on loan investments and obligations under participation agreements                                            | \$ (54,826)                                         | \$ 96,625                   | \$ 41,799                   |

Transfers between levels, if any, are recognized at the beginning of the period in which transfers occur. For the six months ended June 30, 2022, there were no transfers.

## Related Party Transactions

**6 Months Ended  
Jun. 30, 2023**

### [Related Party Transactions](#)

#### [\[Abstract\]](#)

### [Related Party Transactions](#)

#### Related Party Transactions

Terra BDC entered into various agreements with Terra Income Advisors whereby Terra BDC paid and reimbursed Terra Income Advisors for certain services. Additionally, Terra BDC paid Terra Capital Markets certain fees for providing certain administrative support services. In connection with the Merger Agreement, the Merger Agreement was terminated and the Company no longer pays or reimburses the following fees. Such fees are now payable by Terra REIT pursuant to its agreement with its manager. Terra LLC and Terra REIT have entered into the Cost Sharing Agreement pursuant to which Terra LLC is responsible for its allocated expenses, including fees paid by Terra REIT to its manager.

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

|                                                           | Three Months Ended June 30, |                     | Six Months          |
|-----------------------------------------------------------|-----------------------------|---------------------|---------------------|
|                                                           | 2023 <sup>(1)</sup>         | 2022                | 2023 <sup>(1)</sup> |
|                                                           | (Successor Basis)           | (Predecessor Basis) | (Successor Basis)   |
| Amounts Included in the Statements of Operations          |                             |                     |                     |
| Base management fees                                      | \$ 428,883                  | \$ 670,327          | \$ 863,433          |
| Incentive fees on capital gains <sup>(2)</sup>            | N/A                         | (158,315)           | N/A                 |
| Operating expense reimbursement to Adviser <sup>(3)</sup> | 406,480                     | 316,859             | 712,360             |
| Origination, extension and disposition fees               | 126,754                     | N/A                 | 317,752             |

(1) These fees were incurred pursuant to the Cost Sharing Agreement between Terra LLC and Terra REIT.

(2) For the three and six months ended June 30, 2022, the Company reversed previously accrued incentive fees on capital gains of \$158,315. Incentive fees on capital gains were based on 20.0% of net realized and unrealized capital gains. No incentive fees on capital gains were actually paid with respect to unrealized gains unless and until those gains were realized.

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

#### *Merger*

On October 1, 2022, pursuant to the terms of the Merger Agreement, Terra BDC merged with and into Terra LLC, with Terra LLC continuing as the surviving entity of the Merger. Immediately following the Merger, Terra LLC remained a wholly owned subsidiary of Terra REIT. The Certificate of Merger and Articles of Amendment to the Merger were filed with the Secretary of State of the State of Delaware and State Department of Assessments and Taxation of Maryland, respectively, on October 1, 2022 (the "Effective Time"). Effective immediately following the Merger, Terra LLC was renamed to Terra Income Fund 6, LLC."

At the Effective Time, except for any shares of common stock, par value \$0.001 per share, of Terra BDC ("Terra BDC Common Stock"), all outstanding shares of Terra BDC Common Stock were automatically retired and ceased to exist with no consideration paid. Each outstanding share of Terra BDC Common Stock was automatically cancelled and retired and converted into the right to receive (i) 0.595 shares of Class B Common Stock, par value \$0.01 per share, of Terra REIT ("Class B Common Stock") and (ii) cash, without interest, in lieu of any fractional share of Class B Common Stock otherwise issuable in an amount, rounded to the nearest whole cent, determined by multiplying (x) the fraction of a share of Class B Common Stock that the holder would otherwise be entitled to by (y) \$14.38.

Pursuant to the terms of the transactions described in the Merger Agreement, 4,847,910 shares of Class B Common Stock were issued to former Terra BDC stockholders in connection with the Merger. Following the consummation of the Merger, former Terra BDC stockholders own approximately 19.9% of the combined company. In connection with the Merger, the Company incurred transaction costs totaling \$1.5 million for the year ended December 31, 2022.

In connection with the Merger, Terra LLC assumed the obligations of Terra BDC under the indenture and supplemental indentures between Terra LLC and the lender, as well as the Credit Agreement with Eagle Point (Note 6). Additionally, the Investment Advisory Agreement between Terra BDC and the Adviser (as defined below) were terminated and fees pursuant to such agreements are no longer payable. These advisory/management fees are now payable by Terra REIT, to its manager pursuant to the management agreement with its manager.

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

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

The incentive fee consisted of two parts. The first part, which was referred to as the subordinated incentive fee on income, was calculated as a percentage of the quarterly net investment income in arrears based upon Terra BDC's "pre-incentive fee net investment income" for the immediately preceding quarter. The subordinated incentive fee was payable quarterly at 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).

“catch-up” feature. For this purpose, “pre-incentive fee net investment income” meant interest income, dividend income and any other income (in excess of fees for providing managerial assistance, such as commitment, origination, structuring, diligence and consulting fees or other fees that Terra BDC and its subsidiaries (collectively, “Terra BDC”) accrued during the calendar quarter, minus Terra BDC’s operating expenses for the quarter (including the base management fee, excluding the incentive fee, and the fees of Terra BDC’s Income Advisors under the Investment Advisory Agreement and any interest expense and dividends paid on any issued and outstanding preferred securities (collectively, “pre-incentive fee net investment income”). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount securities), accrued income that the Company has not yet received in cash. Pre-incentive fee net investment income excludes realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. The calculation of the subordinated incentive fee was as follows:

- No incentive fee was payable to Terra Income Advisors in any calendar quarter in which Terra BDC’s pre-incentive fee net investment income was less than or equal to the hurdle rate of 2.0% (8.0% annualized);
- 100% of Terra BDC’s pre-incentive fee net investment income, if any, that exceeded the hurdle rate but was less than or equal to 2.5% in any calendar quarter (10.0% annualized) was payable to Terra Income Advisors, all or any portion of which may be waived or deferred in Terra Income Advisors’ discretion. The amount of pre-incentive fee net investment income (which exceeds the hurdle rate but is less than or equal to 2.5%) was referred to as the “catch-up” amount.

The catch-up provision was intended to provide Terra Income Advisors with an incentive fee of 20.0% on all of Terra BDC’s pre-incentive fee net investment income when Terra BDC’s pre-incentive fee net investment income reaches 2.5% in any calendar quarter; and

- 20.0% of the amount of Terra BDC’s pre-incentive fee net investment income, if any, that exceeded 2.5% in any calendar quarter (10.0% annualized) was payable to Terra Income Advisors once the hurdle rate was reached and the catch-up was achieved.

The second part of the incentive fee, which was referred to as the incentive fee on capital gains, was an incentive fee on capital gains earned from the portfolio and was determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). The incentive fee on capital gains equaled 20.0% of Terra BDC’s incentive fee on capital gains, which equaled the realized capital gains on a cumulative basis from inception, calculated over the applicable period, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of capital gains incentive fees. On a quarterly basis, Terra BDC accrued (but did not pay) for the unrealized capital gains incentive fee by calculating the incentive fee and payable as of the end of such period.

In connection with the Merger, the Investment Advisory Agreement was terminated and the Company no longer pays management and incentive fees. Such fees are now payable by Terra REIT pursuant to its management agreement with the REIT Manager. Terra REIT charges the Company for management fees through the Cost Sharing Agreement.

### ***Operating Expenses***

Terra BDC reimbursed Terra Income Advisors for operating expenses incurred in connection with administrative services provided to Terra BDC and its subsidiaries by administrative personnel. Terra BDC did not reimburse Terra Income Advisors for personnel costs in connection with services for which Terra BDC paid a separate fee. In addition, Terra BDC did not reimburse Terra Income Advisors for (i) rent or depreciation, capital equipment or other costs of Terra BDC and its subsidiaries, or (ii) salaries, fringe benefits, travel expenses and other administrative items incurred or allocated to any controlling person of Terra BDC and its subsidiaries. In connection with the Merger, the Company no longer reimburses Terra Income Advisors for operating expenses incurred in connection with administrative services provided to the Company. Such expenses are now reimbursable by Terra REIT to the REIT Manager pursuant to its management agreement with the REIT Manager. The Company is responsible for its allocable share of the operating expense reimbursement through the Cost Sharing Agreement.

### ***Servicing Plan***

Terra BDC Board adopted the servicing plan (the “Servicing Plan”) pursuant to which Terra BDC paid selected dealers a servicing fee to up to 100% of the published NAV per share in exchange for providing certain administrative support services. With respect to each share sold, excluding shares sold to the Company, the servicing fee was payable annually on the anniversary of the applicable month of purchase. In connection with the Merger, the Servicing Plan was terminated.

### ***Cost Sharing Agreement***

On November 8, 2022, the Company entered into the Cost Sharing Agreement with Terra REIT effective October 1, 2022, pursuant to which the Company is responsible for its allocable portion of management and transaction fees and operating expenses incurred by Terra REIT, including fees paid to the REIT Manager.

### ***Terra REIT’s Management Agreement with Terra REIT Advisors***

Terra REIT is the Company’s parent and sole managing member. The Company has entered into a cost sharing arrangement with Terra REIT pursuant to which the Company is responsible for its allocable share of Terra REIT’s expenses, including fees paid by Terra REIT to its manager, Terra REIT Advisors and Terra REIT’s operating expenses. The following fees to Terra REIT Advisors pursuant to the Management Agreement:

**Origination and Extension Fee.** An origination fee in the amount of 1.0% of the amount used to originate, acquire, fund or structure real estate loans, including any third-party expenses related to such loan. In the event that the term of any real estate-related loan is extended, Terra REIT Advisors will receive a fee equal to the lesser of (i) 1.0% of the principal amount of the loan being extended or (ii) the amount of fee paid by the borrower in connection with such extension.

**Asset Management Fee.** A monthly asset management fee at an annual rate equal to 1.0% of the aggregate funds under management, which is based on the amount or aggregate gross acquisition cost, as applicable, for each real estate-related loan and cash held by Terra REIT.

**Asset Servicing Fee.** A monthly asset servicing fee at an annual rate equal to 0.25% of the aggregate gross origination price or aggregate gross acquisition cost of each real estate related loan then held by Terra REIT (inclusive of closing costs and expenses).

**Disposition Fee.** A disposition fee in the amount of 1.0% of the gross sale price received by Terra REIT from the disposition of each loan, including prepayment, workout, modification or extension of a loan unless there is a corresponding fee paid by the borrower, in which case the disposition fee will be 1.0% of the principal amount of the loan and ii) the amount of the fee paid by the borrower in connection with such transaction. If Terra REIT takes possession of a property as a result of a workout or foreclosure of a loan, Terra REIT will pay a disposition fee upon the sale of such property equal to 1.0% of the sales price.

**Transaction Breakup Fee.** In the event that Terra REIT receive any “breakup fees,” “busted-deal fees,” termination fees, or similar fees or costs from a third-party in connection with the termination or non-consummation of any loan or disposition transaction, Terra REIT Advisors will be entitled to receive such amounts, in addition to the reimbursement of all out-of-pocket fees and expenses incurred by Terra REIT Advisors with respect to its evaluation of such transactions.

In addition to the fees described above, Terra REIT reimburses Terra REIT Advisors for operating expenses incurred in connection with the operations of Terra REIT, including its allocable share of Terra REIT Advisors’ overhead, such as rent, employee costs, utilities, and technology costs.

### Participation Agreements

The Company may enter into participation agreements with related and unrelated parties, primarily other affiliated funds of Terra REIT. These agreements provide the Company with the opportunity to invest along the same terms, conditions, price and rights in the specified investment. The purpose of these 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, thereby achieving a certain level of portfolio diversification. The Company may transfer portions of its investments to other participants or it may be a participant in an investment owned by another entity.

ASC Topic 860, *Transfers and Servicing* (“ASC 860”), establishes accounting and reporting standards for transfers of financial assets. ASC 860 provides 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.

**Participation interest purchased by the Company:** The below tables list the investment interests purchased by the Company via participation agreements as of June 30, 2023 and December 31, 2022. In accordance with the terms of each PA, each participant’s rights and obligations, including interest 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 determined by the PA. The Company’s share of the investment is repayable only from the proceeds received from the related borrower/issuer of the investment, and 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 paid related expenses (i.e., the base management fee) directly to Terra Income Advisors prior to the Merger and to Terra REIT after the Merger.

|                                                      | June 30, 2023           |                   |                | December 31, 2022       |                   |
|------------------------------------------------------|-------------------------|-------------------|----------------|-------------------------|-------------------|
|                                                      | (Successor Basis)       |                   |                |                         |                   |
|                                                      | Participating Interests | Principal Balance | Carrying Value | Participating Interests | Principal Balance |
| 370 Lex Part Deux, LLC <sup>(1)</sup>                | 35.0 %                  | \$ 23,704,377     | \$ 23,704,380  | 35.0 %                  | \$ 23,650,000     |
| RS JZ Driggs, LLC <sup>(1)</sup>                     | 50.0 %                  | 2,678,576         | 2,678,576      | 50.0 %                  | 2,490,000         |
| William A. Shopoff & Cindy I. Shopoff <sup>(2)</sup> | — %                     | —                 | —              | 66.7 %                  | 16,666,667        |
| Havemeyer TSM LLC <sup>(2)(3)</sup>                  | — %                     | —                 | —              | 23.0 %                  | 3,280,000         |
| Allowance for credit losses                          |                         | —                 | (3,937,050)    |                         | —                 |
| Total                                                |                         | \$ 26,382,953     | \$ 22,445,906  |                         | \$ 46,100,000     |

(1) The loan is held in the name of Terra REIT, the Company’s parent entity.

(2) This loan was repaid in the first quarter of 2023.

(3) The loan was held in the name of Mavik Real Estate Special Opportunities Fund REIT, LLC.

### Co-investment

As a BDC, Terra BDC was subject to certain regulatory restrictions in making its investments. For example, Terra BDC may have been prohibited from knowingly participating in certain transactions with its affiliates without the prior approval of its Board who are not interested persons and, in addition, from participating in certain transactions with its affiliates without the prior approval of the SEC. The SEC granted Terra BDC exemptive relief permitting it, subject to satisfaction of certain conditions, to co-invest in certain private equity 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, and Terra Secured Income Fund 4, LLC.

3, LLC, Terra Secured Income Fund 4, LLC, Terra Secured Income Fund 5, LLC, Terra Secured Income Fund 5 International, Terra Income F  
Secured Income Fund 7, LLC, Terra REIT and any future BDC or closed-end management investment company that is registered under the 1940  
Income Advisors or its affiliated investment advisers (the “Co-Investment Affiliates”). However, Terra BDC was prohibited from engaging in c  
affiliates even under the terms of this exemptive order. Terra LLC is not subject to any such regulatory restrictions in making its investments.

## Debt

### [Debt Disclosure \[Abstract\]](#) [Debt](#)

**6 Months Ended**  
**Jun. 30, 2023**

## Debt

### *Senior Unsecured Notes*

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

On October 1, 2022 in connection with the Merger, Terra BDC, Terra LLC and U.S. Bank National Association entered into a second supplemental indenture to which Terra LLC assumed the payment of the notes and the performance of every covenant of the indenture, to be performed or observed by Terra LLC.

The indenture between Terra LLC (as successor to Terra BDC) and the trustee contains certain debt limitations and asset coverage covenants. As of December 31, 2022, the Company was in compliance with the asset coverage ratio requirements under the indenture.

For the three and six months ended June 30, 2023 and 2022, the components of interest expense were as follows:

|                                                  | Three Months Ended June 30, |                     | Six Months Ended    |
|--------------------------------------------------|-----------------------------|---------------------|---------------------|
|                                                  | 2023                        | 2022                | 2023                |
|                                                  | (Successor Basis)           | (Predecessor Basis) | (Successor Basis)   |
| Stated interest expense                          | \$ 671,563                  | \$ 671,562          | \$ 1,343,125        |
| Amortization of issue discount                   | —                           | 51,921              | —                   |
| Amortization of financing costs                  | —                           | 43,016              | —                   |
| Amortization of purchase discount <sup>(1)</sup> | 288,486                     | —                   | 569,073             |
| <b>Total interest expense</b>                    | <b>\$ 960,049</b>           | <b>\$ 766,499</b>   | <b>\$ 1,912,198</b> |
| Weighted average debt outstanding                | \$ 38,375,000               | \$ 38,375,000       | \$ 38,375,000       |
| Cash paid for interest expense                   | \$ 671,563                  | \$ 671,562          | \$ 1,343,125        |
| Stated interest rate                             | 7.00 %                      | 7.00 %              | 7.00 %              |
| Effective interest rate <sup>(2)</sup>           | 7.00 %                      | 7.63 %              | 7.00 %              |

(1) The purchase discount was recorded in connection with the Merger ([Note 5](#))

(2) The effective interest rate of the debt component is equal to the stated interest rate plus the amortization of issue discount, if any.

### *Term Loan*

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

The scheduled maturity date of the Loans was April 9, 2025. The Loans bore interest on the outstanding principal amount thereof at a rate equal to the greater of (1) the prime rate plus 1.00% and (2) 6.00%. In connection with the entry into the Credit Agreement, Terra BDC also agreed to pay Eagle Point an upfront fee in an amount equal to 2.50% of the principal amount of the Loans on the initial borrowing date as described in the Credit Agreement. Terra BDC also paid, with respect to any unused portion of the Term Loan, a commitment fee of 0.50% per annum.

In connection with entering into the Credit Agreement, Terra BDC incurred deferred financing costs totaling \$0.3 million, to be amortized over the term of the Term Loan. On August 31, 2021, Terra BDC made an initial draw on the Term Loan of \$5.0 million and incurred an upfront fee of \$0.1 million, which was deducted from proceeds from borrowings under the Term Loan. The discount is amortized to interest expense over the term of the Term Loan. During the six months ended June 30, 2023, Terra BDC drew an additional \$20.0 million on the Term loan.

Terra BDC could prepay any Loan, in whole or in part, together with all accrued but unpaid interest thereon, upon at least 30 but not more than 60 days prior to the date of prepayment to the Agent. If Terra BDC elected to make such prepayments prior to October 9, 2023, Terra BDC would also be required to pay a make whole premium equal to the value at such date of (1) the principal amount being prepaid of such Loan, plus (2) all remaining required interest payments due on the principal amount of such Loan through the maturity date (excluding accrued but unpaid interest to the date on which the make whole premium becomes owed), computed as if the Loan had been repaid on the date of prepayment.



equal to the applicable U.S. Treasury rate (as set forth in the Credit Agreement) plus 50 basis points, over (B) the principal amount being prepaid and the make whole premium may in no event be less than zero.

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

The Credit Agreement contains customary representations, warranties, reporting requirements, borrowing conditions and affirmative, negative and restrictive covenants, including REIT status requirements and minimum asset coverage ratio requirements. As of June 30, 2023 and December 31, 2022, the Company was in compliance with these covenants. The Credit Agreement also includes usual and customary events of default and remedies for credit agreements of this nature. The events of default in the Credit Agreement include, but are not limited to: (i) the failure by Terra BDC to make any payments when due under the Credit Agreement; (ii) the failure by Terra BDC to perform or observe any term, covenant or agreement under the Credit Agreement or any other loan document, subject to applicable cure periods; (iii) the occurrence of any other material indebtedness of Terra BDC; (iv) the bankruptcy or insolvency of Terra BDC; and (v) judgments and attachments, with customary exceptions, against Terra BDC or its property. In addition, the Loans are subject to mandatory prepayment, at the option of each Lender, upon a change in control of Terra BDC (as defined by the Credit Agreement).

On September 27, 2022, Terra BDC, Terra LLC and Eagle Point and the Lenders entered into a Consent Letter and Amendment (the “Credit Facility Amendment”) effective October 1, 2022. Pursuant to the Credit Facility Amendment, (i) Eagle Point and the Lenders consented to the consummation of the Term Loan by Terra LLC of all of the obligations of Terra BDC under the Credit Agreement, (ii) the Credit Agreement was amended to, among other things, extend the maturity date to July 1, 2023, and remove the make whole premium on voluntary prepayments of the loans.

On June 30, 2023, the Company, Eagle Point and the Lenders entered into an amendment to the Credit Agreement, pursuant to which the Company, among other things, (i) extend the scheduled maturity date to March 31, 2024, and (ii) increase the rate on which the Term Loan bears interest from 5.00% per annum to a floating rate based on SOFR plus 7.375% with a SOFR floor of 5.0%. In connection with the amendment, the Company paid Eagle Point a fee of \$150,000, to be amortized to interest expense over the remaining term of the Term Loan. Additionally, the Company made a repayment of \$10.0 million. As of June 30, 2023 and December 31, 2022, the principal amount outstanding under the Term Loan was \$15.0 million and \$25.0 million, respectively.

For the three and six months ended June 30, 2023 and 2022, the components of interest expense were as follows:

|                                        | Three Months Ended June 30, |                     | Six Months Ended June 30, |                     |
|----------------------------------------|-----------------------------|---------------------|---------------------------|---------------------|
|                                        | 2023                        | 2022                | 2023                      | 2022                |
|                                        | (Successor Basis)           | (Predecessor Basis) | (Successor Basis)         | (Predecessor Basis) |
| Stated interest expense                | \$ 355,468                  | \$ 353,750          | \$ 707,031                | \$ 707,031          |
| Amortization of issue discount         | —                           | 38,829              | —                         | —                   |
| Amortization of financing costs        | —                           | 17,969              | —                         | —                   |
| Unused fee                             | —                           | 229                 | —                         | —                   |
| <b>Total interest expense</b>          | <b>\$ 355,468</b>           | <b>\$ 410,777</b>   | <b>\$ 707,031</b>         | <b>\$ 707,031</b>   |
| Weighted average debt outstanding      | \$ 24,890,110               | \$ 24,879,121       | \$ 24,944,751             | \$ 24,944,751       |
| Cash paid for interest expense         | \$ 355,468                  | \$ 353,979          | \$ 707,031                | \$ 707,031          |
| Stated interest rate                   | 5.625 %                     | 5.625 %             | 5.625 %                   | 5.625 %             |
| Effective interest rate <sup>(1)</sup> | 5.625 %                     | 6.25 %              | 5.625 %                   | 5.625 %             |

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

#### ***Scheduled Debt Principal Payments***

Scheduled debt principal payments for each of the five calendar years following June 30, 2023 are as follows:

| Years Ending December 31,         |           |
|-----------------------------------|-----------|
| 2023 (July 1 through December 31) | \$        |
| 2024                              |           |
| 2025                              |           |
| 2026                              |           |
| 2027                              |           |
| Thereafter                        |           |
| Unamortized discount, net         |           |
| <b>Total</b>                      | <b>\$</b> |

**Commitments and  
Contingencies**

**6 Months Ended  
Jun. 30, 2023**

**Commitments and  
Contingencies Disclosure**

**[Abstract]**

**Commitments and  
Contingencies**

**Commitments and Contingencies**

***Funding Commitments***

In the ordinary course of business, the Company may enter into future funding commitments, which are subject to the borrower meeting certain performance-related metrics that are monitored by the Company. As of June 30, 2023 and December 31, 2022, the Company had \$1.8 million and \$5.9 million of unfunded commitments, respectively. The Company maintained sufficient cash on hand to fund such unfunded commitments, including matching these commitments with principal repayments on outstanding loans.

***Other***

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

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

See [Note 5](#). "Related Party Transactions", for a discussion of the Company's commitments to Terra Income Advisors.

## Income Taxes

### [Income Tax Disclosure](#)

#### [\[Abstract\]](#)

#### [Income Taxes](#)

6 Months Ended

Jun. 30, 2023

## Income Taxes

Terra BDC 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. To qualify as a REIT, Terra BDC was required, among other things, to distribute dividends equal to at least 90% of its REIT net taxable income to its shareholders and meet certain tests regarding the nature of its income and assets. Because federal income tax regulations differ from U.S. GAAP, distributions of income may differ from net investment for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reflected among capital accounts in the consolidated financial statements to reflect their tax character. Differences in classification may also result from the treatment of 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 differences in the recognition of income and expenses and generally excludes unrealized appreciation (depreciation) on investments as investment gains and losses are not taxable income until they are realized.

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

|                                                                                     | Six Months Ended<br>Jun. 30, 2023 |
|-------------------------------------------------------------------------------------|-----------------------------------|
| Net increase in net assets resulting from operations                                | \$ 1,827,205                      |
| Net change in unrealized appreciation on investments                                | 130,807                           |
| Net change in unrealized depreciation on obligations under participation agreements |                                   |
| Income tax expense                                                                  |                                   |
| Reversal of incentive fees on capital gains                                         |                                   |
| Other temporary differences <sup>(1)</sup>                                          |                                   |
| Total taxable income <sup>(2)</sup>                                                 | \$ 1,958,012                      |

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

(2) Amount included \$1.3 million of taxable income attributable to the TRS described below.

### Taxable REIT Subsidiary

Terra BDC held certain portfolio company investments through consolidated taxable REIT subsidiaries, of which it was the parent. Such subsidiaries are subject to U.S. federal and state corporate-level income taxes. These consolidated subsidiaries recognize deferred tax assets and liabilities for the estimated future tax consequences of temporary differences between the tax basis of certain assets and liabilities and the reported amounts included in the accompanying consolidated financial statements using the applicable statutory tax rates in effect for the year in which any such temporary differences are expected to reverse. Terra BDC became a REIT subsidiary in connection with the Merger. In connection with the Merger on October 1, 2022, the TRS became a qualified REIT subsidiary of Terra LLC.

For the three and six months ended June 30, 2022, pre-tax income attributable to the TRS was \$0.2 million and \$1.6 million. Based on the effective rates of 29.4% and 30.3%, the provision for income tax for the TRS was \$0.1 million and \$0.5 million, respectively. Additionally, for the three and six months ended June 30, 2022, the Company had temporary differences between the tax basis and book basis of certain assets and liabilities totaling \$0.5 million and \$0.1 million, respectively, resulting in a deferred tax asset, net of a deferred tax liability, and corresponding deferred income tax benefit of \$0.1 million and \$0.02 million, respectively. The Company has not established an allowance for the deferred tax asset because the Company expects the deferred tax asset to be realized in future periods.

### Source of Distribution

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

|                                      | Six Months Ended<br>Jun. 30, 2023     |
|--------------------------------------|---------------------------------------|
|                                      | (Predecessor)                         |
| Source of Distribution               | Distribution<br>Amount <sup>(1)</sup> |
| Return of capital                    | \$ 1,696,398                          |
| Net investment income <sup>(2)</sup> | 130,807                               |
| Distributions on a tax basis:        | \$ 1,827,205                          |

- (1) The Distribution Amount and Percentage reflected are estimated figures. The actual source of distributions was calculated in connection with the company's tax return.
- (2) The TRS's taxable income was not available for distribution to Terra BDC's stockholders until the income was distributed to the parent company. Ended June 30, 2022, the TRS made a distribution of \$0.4 million to the parent company.

As of June 30, 2022, Terra BDC did not have differences between amortized cost basis and tax basis cost of investments.

## Directors' Fees

**6 Months Ended  
Jun. 30, 2023**

[Other Income and Expenses](#)

[\[Abstract\]](#)

[Directors' Fees](#)

### Directors' Fees

Terra BDC's directors who did not serve in an executive officer capacity for Terra BDC or Terra Income Advisors were 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 received 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 received 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, received an annual fee of \$2,500 for their additional services. In connection with the Merger on October 1, 2022, Terra BDC's directors were elected to the Terra REIT Board to fill the vacancies created by the Merger and Terra REIT will pay the fees to directors directly. For the three and six months ended June 30, 2022, Terra BDC recorded \$27,126 and \$57,252 of directors' fees expense.

Terra BDC also reimbursed each of the above directors for all reasonable and authorized business expenses in accordance with Terra BDC 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. Terra BDC did not pay compensation to the directors who also served in an executive officer capacity for Terra BDC or Terra Income Advisors.

## Capital

**6 Months Ended  
Jun. 30, 2023**

[Equity \[Abstract\]](#)  
[Capital](#)

### Capital

As of June 30, 2023 and December 31, 2022, all of the limited liability company interest in Terra LLC was held by Terra REIT.

### Share Repurchase Program

Terra BDC implemented a share repurchase program whereby every quarter Terra BDC offered 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 was to provide stockholders with liquidity, because there was otherwise no public market for Terra BDC's common stock. The Terra BDC Board was permitted to amend, suspend or terminate the share repurchase program upon 30 days' notice. On March 30, 2022, the Terra BDC Board unanimously approved the suspension of the operation of the share repurchase program, effective as of April 30, 2022.

There were no shares repurchased for the six months ended June 30, 2022.

## Net Increase in Net Assets

6 Months Ended  
Jun. 30, 2023

### [Earnings Per Share](#)

#### [\[Abstract\]](#)

#### [Net Increase in Net Assets](#)

#### 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 and potentially dilutive shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

The following information sets forth the computation of the weighted average net increase in net assets per share from operations:

|                                                                           | Three Months Ended June 30, 2022 |               |    |
|---------------------------------------------------------------------------|----------------------------------|---------------|----|
| Basic                                                                     |                                  | (Predecessor) |    |
| Net (decrease) increase in net assets resulting from operations           | \$                               | (512,270)     | \$ |
| Weighted average common shares outstanding                                |                                  | 8,110,168     |    |
| Net (decrease) increase in net assets per share resulting from operations | \$                               | (0.06)        | \$ |

## Distributions

**6 Months Ended**  
**Jun. 30, 2023**

[Equity \[Abstract\]](#)  
[Distributions](#)

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

Subsequent to the Merger on October 1, 2022, Terra LLC has not made a distribution to Terra REIT. The following table reflects Terra BD's distributions for the six months ended June 30, 2022:

| Record Date       | Payment Date      | Per Share<br>Per Day | Distributions<br>Paid in Cash | Distributions<br>Paid through<br>the DRIP |
|-------------------|-------------------|----------------------|-------------------------------|-------------------------------------------|
| January 26, 2022  | January 31, 2022  | \$ 0.001247          | \$ 238,677                    | \$ 73,511                                 |
| February 23, 2022 | February 28, 2022 | 0.001247             | 216,361                       | 65,895                                    |
| March 28, 2022    | March 31, 2022    | 0.001247             | 240,331                       | 72,450                                    |
| April 27, 2022    | April 30, 2022    | 0.001247             | 233,306                       | 69,690                                    |
| May 26, 2022      | May 29, 2022      | 0.001247             | 240,446                       | 72,945                                    |
| June 25, 2022     | June 30, 2022     | 0.001247             | 232,797                       | 70,785                                    |
|                   |                   |                      | <u>\$ 1,401,918</u>           | <u>\$ 425,281</u>                         |



## Financial Highlights

6 Months Ended  
Jun. 30, 2023

[Investment Company,  
Financial Highlights  
\[Abstract\]  
Financial Highlights](#)

### Financial Highlights

The following is a schedule of financial highlights for Terra BDC:

|                                                                                                    | Six Months Ended Jun. 30, 2023 |
|----------------------------------------------------------------------------------------------------|--------------------------------|
| <b>Per share data:</b>                                                                             |                                |
| Net asset value at beginning of period                                                             | \$                             |
| Results of operations <sup>(1)</sup> :                                                             |                                |
| Net investment income                                                                              |                                |
| Net change in unrealized depreciation on investments                                               |                                |
| Net change in unrealized depreciation on obligations under participation agreements <sup>(2)</sup> |                                |
| Net realized gain on investments                                                                   |                                |
| Net increase in net assets resulting from operations                                               |                                |
| Stockholder distributions <sup>(3)</sup> :                                                         |                                |
| Distributions from return of capital                                                               |                                |
| Distributions from net investment income                                                           |                                |
| Net decrease in net assets resulting from stockholder distributions                                |                                |
| Net asset value, end of period                                                                     | \$                             |
| Shares outstanding at end of period                                                                |                                |
| Total return <sup>(4)</sup>                                                                        |                                |
| <b>Ratio/Supplemental data:</b>                                                                    |                                |
| Net assets, end of period                                                                          | \$                             |
| Ratio of net investment income to average net assets <sup>(5)</sup>                                |                                |
| Ratio of operating expenses to average net assets <sup>(5) (6) (7)</sup>                           |                                |
| Portfolio turnover                                                                                 |                                |

(1) The per share data was derived by using the weighted average shares outstanding during the applicable period.

(2) The impact on net asset value was approximately \$0.003.

(3) The per share data for distributions reflects the actual amount of distributions declared per share during the applicable period.

(4) 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 terms of the offering memorandum. This calculation 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.

(5) These ratios are calculated using annualized net investment income and operating expenses.

(6) Excluding accrued incentive fees on capital gains, the ratio of operating expenses to average net assets was 16.19%, (7) Excluding accrued incentive fees on capital gains, transaction costs and interest expense on debt, the ratio of operating expenses to average net assets was 9.42%.

## Subsequent Events

**6 Months Ended  
Jun. 30, 2023**

[Subsequent Events](#)

[\[Abstract\]](#)

[Subsequent Events](#)

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

## Summary of Significant Accounting Policies (Policies)

6 Months Ended  
Jun. 30, 2023

### [Accounting Policies](#)

#### [\[Abstract\]](#)

#### [Basis of Presentation](#)

##### *Basis of Presentation*

The accompanying interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) and include the accounts of the Company and its consolidated subsidiaries. The accompanying interim consolidated 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. Prior to the Merger, Terra BDC operated as and met the criteria of an investment company, as defined under U.S. GAAP, and applied accounting and reporting guidance in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 946, *Financial Services — Investment Companies* (the “Predecessor Basis”). As a result of the Merger, Terra LLC has not met the requirements to be classified as an investment company since October 1, 2022. As such, Terra LLC is an operating company and reports its investments at historical cost (the “Successor Basis”). The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition as of and for the periods presented. The interim consolidated financial statements for the three and six months ended June 30, 2022, reflect Terra BDC’s financial results as an investment company. The consolidated financial statements as of June 30, 2023 and December 31, 2022, and for the three and six months ended June 30, 2023, reflect Terra LLC’s financial results as an operating company.

#### [Consolidation](#)

##### *Consolidation*

As provided under Regulation S-X and ASC Topic 946, the Terra BDC generally did not consolidate its investment in a company other than an investment company or controlled operating company whose business consists of providing services to Terra BDC. Accordingly, Terra BDC consolidated the accounts of its wholly-owned subsidiaries that meet the aforementioned criteria in its consolidated financial statements as of June 30, 2022.

Terra LLC consolidates entities in which it has a controlling financial interest based on either the variable interest entity (“VIE”) or voting interest entity (“VOE”) model. Terra LLC is required to first apply the VIE model to determine whether it holds a variable interest in an entity, and if so, whether the entity is a VIE. If Terra LLC determines the entity is not a VIE, it then applies the VOE model. Under the VOE model, Terra LLC consolidates an entity when it holds a majority voting interest in an entity.

Terra LLC accounts for investments in which it has significant influence but not a controlling financial interest using the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

#### [Cash and Cash Equivalents](#)

##### *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***

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.”

## Loans Held for Investment

### ***Loans Held for Investment***

The Company originates, acquires, and structures, or acquires through participations, real estate-related loans generally to be held to maturity (collectively the “loans”). Loans held for investment are carried at the principal amount outstanding, adjusted for the accretion of discounts on investments and exit fees, and the amortization of premiums on investments and origination fees. The Company’s preferred equity investments, which are economically similar to mezzanine loans and subordinate to any loans but senior to common equity, are accounted for as loans held for investment. Loans are carried at amortized cost less allowance for credit losses.

Prior to the Merger and under Predecessor Basis of accounting, the Company’s investments were reported at fair value, with the changes in fair value recorded as changes in unrealized gains or losses on investments in the consolidated statements of operations.

## Current Expected Credit Losses Reserve

### ***Current Expected Credit Losses Reserve***

ASC 326, *Financial Instruments – Credit Losses*, became effective for the Company on January 1, 2023. ASC 326 mandates the use of a current expected credit loss (“CECL”) model for estimating future credit losses of certain financial instruments measured at amortized cost, instead of the “incurred loss” credit model previously required under U.S. GAAP. The CECL model requires the consideration of possible credit losses over the life of an instrument as opposed to only estimating credit losses upon the occurrence of a discrete loss event under the previous “incurred loss” methodology. The CECL model

applies to the Company’s loan portfolio and the held-to-maturity debt securities which are carried at amortized cost, including future funding commitments, for which the Company does not have the unconditional right to cancel. Amortized cost is defined as the principal amount outstanding, adjusted for the accretion of purchase discounts and disposition fees, and amortization of purchase premiums and origination fees, and includes accrued interest receivable related to these loans and securities. As permitted by ASC 326, the Company elected not to measure an allowance for credit losses on accrued interest receivable (which is presented separately on the consolidated balance sheet), but rather write off in a timely manner by reversing interest income that would likely be uncollectible. The Company’s adoption of the CECL model resulted in a \$0.7 million increase to total reserve, including reserve on future funding commitments, which was recognized as a cumulative-effect adjustment to member’s capital as of January 1, 2023. Subsequent to the adoption of the CECL model, any increase or decrease to the CECL reserve is recorded in earnings on the consolidated statement of operations.

The Company utilizes information obtained from internal and external sources relating to past events, current conditions and reasonable and supportable forecasts about the future to determine the expected credit losses for its loan portfolio. The Company does not have a meaningful history

of realized credit losses on its loan portfolio so it has subscribed to a third-party database service to provide the Company with industry losses for its loans. The Company utilizes a loan loss model that is widely used among banks and commercial mortgage REITs and is marketed by a leading commercial mortgage-based security data analytics provider. It employs logistic regression to forecast expected losses at the loan level based on a commercial real estate loan securitization database that contains activity dating back to 1998. The Company provides specific loan-level inputs which include loan-to-value and debt service coverage ratio metrics, as well as principal balances, property type, location, coupon rate, coupon rate type, original or remaining term, expected repayment dates and contractual future funding commitments. The Company selects from a group of independent five-year macroeconomic forecasts included in the model that are updated regularly based on current economic trends. Because the Company's loan portfolio is comprised of a small number of loans, the Company measures the CECL reserve based on an evaluation of each loan as its own segregated asset. Based on the inputs, the loan loss model determines a loan loss rate through the generation of probability of defaults (PD) and loss given defaults (LGD) for each loan. The CECL reserve is then calculated by applying the loan loss rate to the total outstanding loan balance of each loan. These results require a significant amount of judgment applied in selecting inputs and analyzing the results produced by the models to determine the allowance for credit losses. Changes in such estimates can significantly affect the expected credit losses.

The calculation of the estimate of expected credit loss considers historical experience and current conditions for each loan and reasonable and supportable forecasts about the future. The reasonable and supportable forecast period is determined based on the Company's assessment of the most likely scenario of assumptions and plausible outcomes for the U.S. economy, current portfolio composition, level of historical loss forecast estimates, material changes in growth and credit strategy and other factors that may affect its loss experience. The Company regularly evaluates the reasonable and supportable forecast period to determine if a change is needed.

Beyond the Company's reasonable and supportable forecast period, the Company generally reverts to historical loss information, pooled by asset type and investment structure, over the remaining loan period, taken from a period that most accurately reflects the expectation of conditions expected to exist during the period of reversion. The Company may adjust historical loss information for differences in risk that may not reflect the characteristics of its current portfolio, including but not limited to, loan-to-value and debt service coverage ratios, among other relevant factors. The method of reversion selected represents the best estimate of the collectability of the investments and is reevaluated each reporting period. The Company generally expects to use an average historical loss for reversion, utilizing an immediate or straight-line method for the remaining life of the loans.

The Company also performs a qualitative assessment beyond model estimates and applies qualitative adjustments as necessary. The Company's qualitative analysis includes a review of data that may directly impact its estimates including internal and external information about the loan or property including current market conditions, asset specific conditions, property operations or borrower/sponsor details (i.e., refinance, sale, bankruptcy) which allows the Company to determine the amount of the expected loss more accurately and reasonably for these investments. The Company also evaluates the contractual life of its loans to determine if changes are needed for contractual extension options, renewals, modifications, and prepayments.

During the loan review process, if the Company determines that it is not able to collect all amounts due for both principal and interest according to the contractual terms of a loan, the

Company considers that loan non-performing. For all non-performing loans, such as those in default, collateral-dependent or modified loans, including historical troubled debt restructurings, the Company removes these loans from the industry loss rate approach described above and analyzes them separately. The credit loss reserve for these loans is calculated as any excess of the amortized cost of the loan over (i) the present value of expected future cash flows discounted at the appropriate discount rate or (ii) the fair value of collateral, if repayment is expected solely from the collateral.

Some of the Company's loans include commitments to fund incremental proceeds to the borrowers over the life of the loan and these unfunded commitments are also subject to the CECL model because the Company does not have an unconditional right to cancel such commitments. The CECL reserve related to unfunded commitments is recorded as a component of other liabilities on the Company's consolidated balance sheets. This CECL reserve is estimated using the same method outlined above for the Company's outstanding loan balances and increases or decreases in the CECL reserve relating to unfunded commitments are also recorded in earnings on the consolidated statements of operations. As discussed below in Recent Accounting Pronouncements, the Company adopted the provisions of Accounting Standards Update ("ASU") 2022-02 Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02") concurrently with the adoption of CECL on January 1, 2023, prospectively.

## Marketable Securities

### ***Marketable Securities***

From time to time, the Company may invest in short term debt and equity securities. These securities are classified as available-for-sale securities and are carried at fair value. Changes in the fair value of equity securities are recognized in earnings. Changes in the fair value of debt securities are reported in other comprehensive income until a gain or loss on the securities is realized.

## Held-to-Maturity Debt Securities

### ***Held-to-Maturity Debt Securities***

The Company classifies debt securities for which it has both the positive intent and ability to hold until maturity of the security as held-to-maturity debt securities. These securities are recorded at amortized cost with changes in amortized cost recognized in earnings until realized. Held-to-maturity debt securities are subject to the CECL reserve described above.

## Revenue Recognition

### ***Revenue Recognition***

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

*Interest Income:* Interest income is accrued based upon the outstanding principal amount and contractual terms of the loans and preferred equity investments that the Company expects to collect, and it is accrued and recorded on a daily basis. Discounts and premiums on investments purchased are accreted or amortized over the expected life of the respective loan using the effective yield method, and are included in interest income in the consolidated statements of operations. Loan origination fees and exit fees, net of portions attributable to obligations under participation agreements, are capitalized and amortized or accreted to interest income over the life of the investment using the effective yield method. Outstanding interest receivable is assessed for

recoverability. The Company generally reverses the accrued and unpaid interest against interest income and no longer accrues for the interest when, in the opinion of the Manager, recovery of income and principal becomes doubtful. Interest is then recorded on the basis of cash received until accrual is resumed when the loan becomes contractually current and performance is demonstrated. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability.

The Company holds loans 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.

*Other Revenues:* Prepayment fee income is recognized as prepayments occur. All other income is recognized when earned.

## Deferred Debt Issuance Costs

### ***Deferred Debt Issuance Costs***

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

## Stockholder Dividends and Distributions

### ***Stockholder Dividends and Distributions***

Dividends and distributions to stockholders, which were determined in accordance with federal income tax regulations, were recorded on the declaration date. The amount to be paid out as a dividend or distribution was approved by the Terra BDC Board. Net realized capital gains, if any, were generally distributed or deemed distributed at least annually. Terra BDC adopted an "opt in" DRIP pursuant to which stockholders may elect to have the full amount of stockholders cash distributions reinvested in additional shares of common stock. Participants in the DRIP were 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 into the DRIP, they had their cash distributions reinvested in additional shares of common stock, rather than receiving the cash distributions. Pursuant to the

DRIP, shares were issued at a price equal to Terra BDC's most recently disclosed net asset value ("NAV") per share of its common stock immediately prior to the applicable distribution payment date. In connection with the Merger, the DRIP was terminated and Terra REIT will make monthly distributions to stockholders. On January 20, 2023, the Terra REIT Board adopted a distribution reinvestment plan (the "Plan"), pursuant to which Terra REIT's stockholders may elect to reinvest cash distributions payable by Terra REIT in additional shares of Class A Common Stock and Class B Common Stock, at the price per share determined pursuant to the Plan.

## Incentive Fee on Capital Gains

### ***Incentive Fee on Capital Gains***

Pursuant to the terms of the Investment Advisory Agreement, the incentive fee on capital gains was determined and payable in arrears as of the end of each fiscal year (or upon termination of the Investment Advisory Agreement). This fee equaled 20.0% of Terra BDC's incentive fee on capital gains, which equaled 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, Terra BDC accrued (but did 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 included nor contemplated 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, Terra BDC accrued 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 reflected the incentive fees that would be payable to Terra Income Advisors if Terra BDC's entire portfolio was liquidated at its fair value as of the balance sheet date even though Terra Income Advisors was not entitled to an incentive fee with respect to unrealized gains unless and until such gains are actually realized.

In connection with the Merger, the Investment Advisory Agreement was terminated and the Company no longer pays any fees to the Adviser. Such fees are now payable by Terra REIT pursuant to its management agreement with the REIT Manager. Terra LLC and Terra REIT have entered into a cost sharing and reimbursement agreement (the "Cost Sharing Agreement") pursuant to which Terra LLC will be responsible for its allocable share of Terra REIT's expenses, including fees paid by Terra REIT to the REIT Manager.

### Servicing Fee

**Servicing Fee** Terra BDC paid selected dealers a servicing fee at an annual rate of 0.75% of the most recently published NAV per share, excluding shares sold through the DRIP, in exchange for providing certain administrative support services ([Note 5](#)) 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 was recorded as expense on the consolidated statements of operations in the period in which it was incurred.

### Income Taxes

#### ***Income Taxes***

Terra BDC 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, Terra BDC was required, among other things, to distribute dividends equal to at least 90% of its REIT net taxable income to the stockholders annually and meet certain tests regarding the nature of its income and assets. As a REIT, Terra BDC was not subject to U.S. federal income taxes on income and gains distributed to the stockholders as long as certain requirements were satisfied, principally relating to the nature of income and the level of distributions, as well as other factors. For the nine months ended September 30, 2022, Terra BDC satisfied all the requirements for a REIT. Subsequent to the Merger, Terra REIT, the sole member of Terra LLC, will be responsible for paying tax, if any, on the Company's taxable income.

Terra BDC held certain portfolio company investments through consolidated taxable REIT subsidiaries ("TRSs"). Such subsidiaries may be subject to U.S. federal and state corporate-level income taxes. These consolidated subsidiaries recognized deferred tax assets and liabilities for the estimated future tax effects attributable to temporary differences between the tax basis of certain assets and liabilities and the reported amounts included in the accompanying consolidated statements of assets and liabilities using the applicable statutory tax rates in effect for the year in which any such temporary differences are expected to reverse. In connection with the Merger on October 1, 2022, Terra BDC's TRS became a qualified REIT subsidiary of Terra LLC.



Terra BDC did not have any uncertain tax positions that met the recognition or measurement criteria under accounting for income taxes, nor did Terra BDC have any unrecognized tax benefits as of the periods presented herein. Terra BDC recognized interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in its statements of operations. For the nine months ended September 30, 2022, Terra BDC did not incur any interest or penalties. Terra BDC's 2019-2022 federal tax years remain subject to examination by the Internal Revenue Service and the state department of revenue. Terra BDC 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, Terra BDC was required, among other things, to distribute dividends equal to at least 90% of its REIT net taxable income to the stockholders annually and meet certain tests regarding the nature of its income and assets. Because federal income tax regulations differ from U.S. GAAP, distributions in accordance with tax regulations may differ from net investment for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the consolidated financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

## [Use of Estimates](#)

### *Use of Estimates*

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

## [Recent Accounting Pronouncements](#)

### *Recent Accounting Pronouncements*

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. In April 2019, the FASB issued additional amendments to clarify the scope of ASU 2016-13 and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other things. In May 2019, the FASB issued ASU 2019-05 — Targeted Transition Relief, which provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. In October 2019, the FASB decided that for smaller reporting companies, ASU 2016-13 and related amendments will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company meets the definition of a smaller reporting company under the regulation of the Securities and Exchange Commission. The Company adopted this ASU and related amendments on January 1, 2023. The adoption of ASU 2016-13 resulted in an incremental reserve of approximately \$0.7 million, which included reserve on future loan funding commitments. The Company recorded the cumulative effect of initially applying this guidance as an adjustment to member's equity using the modified retrospective method of adoption.

London Interbank Offered Rate (“LIBOR”) is a benchmark interest rate referenced in a variety of agreements that are used by all types of entities. In July 2017, the U.K. Financial Conduct

Authority, which regulates the LIBOR administrator, ICE Benchmark Administration Limited (“IBA”), announced that it would cease to compel banks to participate in setting LIBOR as a benchmark by the end of 2021, which has subsequently been delayed to June 30, 2023. In March 2020, the FASB issued ASU. 2020-04, Reference Rate Reform (Topic 848) — Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASU 2020-04”). The amendments in ASU 2020-04 provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848), which expanded the scope of Topic 848 to include derivative instruments impacted by discounting transition (“ASU 2021-01”). In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848) — Deferral the Sunset Date of Topic 848 (“ASU 2022-06”). ASU 2022-06 deferred the sunset date of ASU 2020-04 to December 31, 2024. In the event LIBOR is unavailable, the Company’s investment documents provide for a substitute index, on a basis generally consistent with market practice, intended to put the Company in substantially the same economic position as LIBOR. As a result, the Company has not adopted the new ASUs and does not expect the reference rate reform and the adoption of ASU 2020-04 and ASU 2021-01 to have a material impact on its consolidated financial statements and disclosures.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures (“ASU 2022-02”). ASU 2022-02 eliminates troubled debt restructuring guidance for organizations that adopted the amendments in ASU 2016-13 while providing for additional disclosures for loan modifications. ASU 2022-02 also amends the vintage disclosure guidance for public business entities. The Company adopted the provisions of ASU 2022-02 concurrently with the adoption of ASU 2016-13. The adoption of ASU 2022-02 did not have any material impact on the Company’s financial condition and results of operations.

**Summary of Significant  
Accounting Policies (Tables)**

**6 Months Ended  
Jun. 30, 2023**

[Accounting Policies](#)

[\[Abstract\]](#)

[Schedule of Cash, Cash  
Equivalents and Restricted  
Cash](#)

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

|                                                                                                     | June 30, 2023 |    |
|-----------------------------------------------------------------------------------------------------|---------------|----|
| Cash and cash equivalents                                                                           | \$ 8,761,896  | \$ |
| Restricted cash                                                                                     | —             |    |
| Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows | \$ 8,761,896  | \$ |

**Loans Held for Investment  
(Tables)**

**6 Months Ended  
Jun. 30, 2023**

[Receivables \[Abstract\]](#)  
[Schedule of Company's](#)  
[Portfolio](#)

The following table provides a summary of the Company's loan portfolio:

|                                         | June 30, 2023 |                                 |               | December 31, 2022 |                                 |                |
|-----------------------------------------|---------------|---------------------------------|---------------|-------------------|---------------------------------|----------------|
|                                         | Fixed Rate    | Floating Rate <sup>(1)(2)</sup> | Total         | Fixed Rate        | Floating Rate <sup>(1)(2)</sup> | Total          |
| Number of loans                         | 4             | 2                               | 6             | 6                 | 3                               | 9              |
| Principal balance                       | \$ 43,267,842 | \$ 42,271,673                   | \$ 85,539,515 | \$ 61,913,795     | \$ 61,826,111                   | \$ 123,739,906 |
| Carrying value                          | \$ 43,487,381 | \$ 38,320,827                   | \$ 81,808,208 | \$ 62,781,893     | \$ 58,631,000                   | \$ 121,412,893 |
| Fair value                              | \$ 43,273,776 | \$ 39,113,475                   | \$ 82,387,251 | \$ 62,035,611     | \$ 58,244,000                   | \$ 120,279,611 |
| Weighted-average coupon rate            | 13.7%         | 16.4%                           | 15.0%         | 14.1%             | 14.4%                           | 14.3%          |
| Weighted-average remaining term (years) | 0.70          | 0.78                            | 0.71          | 0.86              | 0.77                            | 0.81           |

(1) These loans pay a coupon rate of LIBOR, Secured Overnight Financing Rate ("SOFR"), or forward-looking term rate based on SOFR ("Term SOFR"), plus a fixed spread. Coupon rates shown were determined using LIBOR of 5.2% and average SOFR and Term SOFR of 5.1% as of June 30, 2023, and average SOFR of 4.1% as of December 31, 2022.

(2) As of June 30, 2023 and December 31, 2022, two and three loans, respectively, were subject to a LIBOR, SOFR or Term SOFR floor, as applicable.

[Schedule of Accounts, Notes,](#)  
[Loans and Financing](#)  
[Receivable](#)

The following table presents the activities of the Company's loan portfolio for the six months ended June 30, 2023:

|                                                                                                                     | Loans Held for Investment | Loans Held for Investment through Participation Interest |
|---------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------|
| Balance, January 1, 2023                                                                                            | \$ 79,082,650             | \$ 42,330,377                                            |
| Cumulative effect of adoption of credit loss accounting standard effective January 1, 2023 <a href="#">(Note 2)</a> | (593,040)                 | —                                                        |
| New loans made                                                                                                      | 3,023,096                 | 233,477                                                  |
| Principal repayments received                                                                                       | (21,655,810)              | (20,121,588)                                             |
| Net amortization of discounts on loans                                                                              | (662,905)                 | (81,411)                                                 |
| Accrual, payment and accretion of investment-related fees and other, net                                            | 141,812                   | 85,040                                                   |
| Reversal of provision for credit losses                                                                             | 26,499                    | —                                                        |
| Balance, June 30, 2023                                                                                              | \$ 59,362,302             | \$ 22,445,900                                            |

The tables below detail the types of loans in the Company's loan portfolio, as well as the property type and geographic location of the properties securing these loans:

| Loan Structure               | June 30, 2023     |                |            | December 31, 2022 |                |            |
|------------------------------|-------------------|----------------|------------|-------------------|----------------|------------|
|                              | Principal Balance | Carrying Value | % of Total | Principal Balance | Carrying Value | % of Total |
| Preferred equity investments | \$ 61,289,515     | \$ 61,863,420  | 75.6 %     | \$ 58,823,211     | \$ 59,000,000  | 75.6 %     |
| First mortgages              | 21,250,000        | 21,522,542     | 26.3 %     | 41,970,028        | 42,000,000     | 26.3 %     |
| Mezzanine loans              | 3,000,000         | 2,925,837      | 3.6 %      | 6,282,208         | 6,282,208      | 3.6 %      |
| Credit facility              | —                 | —              | — %        | 16,664,376        | 16,664,376     | 10.0 %     |
| Allowance for credit losses  | —                 | (4,503,591)    | (5.5)%     | —                 | (3,000,000)    | (3.0)%     |
| Total                        | \$ 85,539,515     | \$ 81,808,208  | 100.0 %    | \$ 123,739,823    | \$ 120,279,611 | 100.0 %    |

| Property Type               | June 30, 2023     |                |            | December 31, 2022 |                |
|-----------------------------|-------------------|----------------|------------|-------------------|----------------|
|                             | Principal Balance | Carrying Value | % of Total | Principal Balance | Carrying Value |
| Office                      | \$ 23,704,377     | \$ 23,704,380  | 28.9 %     | \$ 23,655,377     | \$ 23,655,377  |
| Infrastructure              | 21,250,000        | 21,522,542     | 26.3 %     | 21,250,000        | 21,250,000     |
| Multifamily                 | 19,017,842        | 19,297,442     | 23.6 %     | 17,717,211        | 18,000,000     |
| Mixed use                   | 18,567,296        | 18,861,598     | 23.1 %     | 41,452,859        | 42,000,000     |
| Student housing             | 3,000,000         | 2,925,837      | 3.6 %      | 3,000,000         | 2,925,837      |
| Industrial                  | —                 | —              | — %        | 16,664,376        | 16,664,376     |
| Allowance for credit losses | —                 | (4,503,591)    | (5.5)%     | —                 | (3,500,000)    |
| Total                       | \$ 85,539,515     | \$ 81,808,208  | 100.0 %    | \$ 123,739,823    | \$ 121,000,000 |

| Geographic Location         | June 30, 2023     |                |            | December 31, 2022 |                |
|-----------------------------|-------------------|----------------|------------|-------------------|----------------|
|                             | Principal Balance | Carrying Value | % of Total | Principal Balance | Carrying Value |
| <b>United States</b>        |                   |                |            |                   |                |
| New York                    | \$ 26,382,953     | \$ 26,382,956  | 32.3 %     | \$ 29,437,256     | \$ 29,437,256  |
| California                  | 21,567,296        | 21,787,435     | 26.6 %     | 37,114,999        | 37,114,999     |
| Utah                        | 21,250,000        | 21,522,542     | 26.3 %     | 21,250,000        | 21,250,000     |
| Georgia                     | 16,339,266        | 16,618,866     | 20.3 %     | 15,217,540        | 15,217,540     |
| North Carolina              | —                 | —              | — %        | 20,720,028        | 20,720,028     |
| Allowance for credit losses | —                 | (4,503,591)    | (5.5)%     | —                 | (3,500,000)    |
| Total                       | \$ 85,539,515     | \$ 81,808,208  | 100.0 %    | \$ 123,739,823    | \$ 121,000,000 |

#### [Schedule of Allowances of Loan Losses](#)

The following table presents the activity in allowance for credit losses for funded loans:

|                                                                                                   | Six Months Ended June 30, 2023 |              |
|---------------------------------------------------------------------------------------------------|--------------------------------|--------------|
|                                                                                                   | 2023                           | 2022         |
|                                                                                                   | <b>Successor Basis</b>         |              |
| Allowance for credit losses, beginning of period                                                  | \$ 3,937,050                   | \$ 3,937,050 |
| Cumulative effect of adoption of ASU 2016-13 effective January 1, 2023 ( <a href="#">Note 2</a> ) | 593,040                        | —            |
| Reversal of provision for credit losses                                                           | (26,499)                       | —            |
| Charge-offs                                                                                       | —                              | —            |
| Recoveries                                                                                        | —                              | —            |
| Allowance for credit losses, end of period                                                        | \$ 4,503,591                   | \$ 3,937,050 |

The following table presents the activity in the liability for credit losses on unfunded commitments:

|                                                                                                           | Six Months Ended June 30, 2023 |
|-----------------------------------------------------------------------------------------------------------|--------------------------------|
| Liability for credit losses on unfunded commitments, beginning of period                                  | \$ —                           |
| Cumulative effect of credit loss accounting standard effective January 1, 2023 ( <a href="#">Note 2</a> ) | —                              |
| Reversal of provision for credit losses                                                                   | —                              |
| Liability for credit losses on unfunded commitments, end of period                                        | \$ —                           |

Based on a 5-point scale, the Company's loans are rated "1" through "5", from less risk to greater risk as follows:

| Risk Rating | Description           |
|-------------|-----------------------|
| 1           | Very low risk         |
| 2           | Low risk              |
| 3           | Moderate/average risk |
| 4           | Higher risk           |
| 5           | Highest risk          |

The following table presents the amortized cost of the Company's loan portfolio by year of origination and loan risk rating:

#### [Schedule of Financing Receivable Credit Quality Indicators](#)

June 30, 2023

| Loan Risk Rating                          | Number of<br>Loans | Amortized Cost | % of Total | Amortized Cost by Year Originated |               |               |      |
|-------------------------------------------|--------------------|----------------|------------|-----------------------------------|---------------|---------------|------|
|                                           |                    |                |            | 2023                              | 2022          | 2021          | 2020 |
| 1                                         | —                  | \$ —           | — %        | \$ —                              | \$ —          | \$ —          | \$ — |
| 2                                         | —                  | —              | — %        | —                                 | —             | —             | —    |
| 3                                         | 3                  | 41,067,246     | 47.5 %     | —                                 | —             | 38,141,409    | —    |
| 4                                         | 1                  | 18,861,598     | 21.9 %     | —                                 | 18,861,598    | —             | —    |
| 5                                         | —                  | —              | — %        | —                                 | —             | —             | —    |
| Non-performing                            | 2                  | 26,382,955     | 30.6 %     | —                                 | —             | —             | —    |
|                                           | 6                  | 86,311,799     | 100.0 %    | \$ —                              | \$ 18,861,598 | \$ 38,141,409 | \$ — |
| Allowance for credit losses               |                    | (4,503,591)    |            |                                   |               |               |      |
| Total, net of allowance for credit losses |                    | \$ 81,808,208  |            |                                   |               |               |      |

The following table presents the principal balance and the amortized cost of the Company's loans based on the loan risk rating as of December 31, 2022.

| Loan Risk Rating                          | Number of<br>Loans | Principal Balance | Amortized Cost |
|-------------------------------------------|--------------------|-------------------|----------------|
|                                           |                    |                   |                |
| 1                                         | —                  | \$ —              | \$ —           |
| 2                                         | —                  | —                 | —              |
| 3                                         | 7                  | 97,584,775        | 99,195,000     |
| 4                                         | —                  | —                 | —              |
| 5                                         | —                  | —                 | —              |
| Non-performing <sup>(1)</sup>             | 2                  | 26,155,048        | 26,155,048     |
|                                           | 9                  | \$ 123,739,823    | 125,350,048    |
| Allowance for credit losses               |                    |                   | (3,937,000)    |
| Total, net of allowance for credit losses |                    |                   | \$ 121,413,048 |

(1) Because these loans have an event of default, they were removed from the pool of loans on which a general allowance were evaluated for collectability individually. As of December 31, 2022, the specific allowance for credit losses on these million, as a result of a decline in the fair value of the respective collateral.

**Fair Value Measurements  
(Tables)**

**6 Months Ended  
Jun. 30, 2023**

[Fair Value Disclosures](#)  
[\[Abstract\]](#)  
[Schedule of Fair Value](#)  
[Measurements](#)

The following table presents fair value measurements of financial instruments that were carried at fair value, by major class, as of June 30, 2023, according to the fair value hierarchy:

|                                         | June 30, 2023           |         |         |
|-----------------------------------------|-------------------------|---------|---------|
|                                         | Fair Value Measurements |         |         |
|                                         | Level 1                 | Level 2 | Level 3 |
| Money market fund <sup>(1)</sup>        | \$ 2,525,843            | \$ —    | \$ —    |
| Marketable securities - debt securities | 531,696                 | —       | —       |
| Total                                   | \$ 3,057,539            | \$ —    | \$ —    |

(1) Included in cash and cash equivalents on the consolidated balance sheets.

[Schedule of Activities of the](#)  
[Marketable Securities](#)

The following table presents the activities of the marketable securities for the periods presented.

|                                          | Six Months Ended |
|------------------------------------------|------------------|
|                                          | 2023             |
| Beginning balance                        | \$ —             |
| Purchases                                | 525,867          |
| Unrealized gain on marketable securities | 5,829            |
| Ending balance                           | \$ 531,696       |

[Schedule of Carrying Values](#)  
[and Estimated Fair Values of](#)  
[Debt Instruments](#)

The following table presents the carrying value and estimated fair value of the Company's financial instruments that are not carried at fair value on the consolidated balance sheets as of:

|                                                          | Level | June 30, 2023     |                |               | December 31, 2022 |                |
|----------------------------------------------------------|-------|-------------------|----------------|---------------|-------------------|----------------|
|                                                          |       | (Successor Basis) |                |               |                   |                |
|                                                          |       | Principal Balance | Carrying Value | Fair Value    | Principal Balance | Carrying Value |
| <b>Investments:</b>                                      |       |                   |                |               |                   |                |
| Loans held for investment                                | 3     | \$ 59,156,562     | \$ 59,928,843  | \$ 59,949,503 | \$ 77,638,191     | \$ 79,111,111  |
| Loans held for investment acquired through participation | 3     | 26,382,953        | 26,382,956     | 22,437,748    | 46,101,632        | 46,101,632     |
| Allowance for credit losses                              |       | —                 | (4,503,591)    | —             | —                 | (3,111,111)    |
| Total loans                                              |       | 85,539,515        | 81,808,208     | 82,387,251    | 123,739,823       | 122,101,632    |
| <b>Liabilities:</b>                                      |       |                   |                |               |                   |                |
| Unsecured notes payable <sup>(1)(2)</sup>                | 1     | \$ 38,375,000     | \$ 34,611,977  | \$ 36,533,000 | \$ 38,375,000     | \$ 34,611,977  |
| Term loan payable <sup>(3)(4)</sup>                      | 3     | 15,000,000        | 14,850,000     | 15,000,000    | 25,000,000        | 25,000,000     |
|                                                          |       | \$ 53,375,000     | \$ 49,461,977  | \$ 51,533,000 | \$ 63,375,000     | \$ 59,611,977  |

(1) Carrying value is net of unamortized purchase discount of \$3.8 million and \$4.3 million as of June 30, 2023 and December 31, 2022, respectively.

(2) Valuation falls under Level 1 of the fair value hierarchy, which is based on the trading price of \$23.80 and \$23.05 as of the close of business on June 30, 2023 and December 31, 2022, respectively.

(3) Carrying value is net of unamortized discount of \$150,000 as of June 30, 2023.

(4) Valuation falls under Level 3 of the fair value hierarchy, which is based on a discounted cash flow model with a discount rate of 12.48% and 12.48% as of June 30, 2023 and December 31, 2022, respectively.

[Schedule of Fair Value](#)  
[Measurement Inputs and](#)  
[Valuation Techniques](#)

The following tables summarize the significant unobservable inputs used by the Company to value the Level 3 investments as of June 30, 2023. The following tables are not intended to be all-inclusive, but instead identify the significant unobservable inputs relevant to the determination of fair value.

| June 30, 2023                                       |               |                             |                    |         |         |
|-----------------------------------------------------|---------------|-----------------------------|--------------------|---------|---------|
| Asset Category                                      | Fair Value    | Primary Valuation Technique | Unobservable Input | Range   |         |
|                                                     |               |                             |                    | Minimum | Maximum |
| Assets:                                             |               |                             |                    |         |         |
| Loans                                               | \$ 59,949,503 | Discounted cash flow        | Discount rate      | 12.45 % |         |
| Loans through participation interest <sup>(1)</sup> | 22,437,748    | Discounted cash flow        | Discount rate      | N/A     | N/A     |
| Total Level 3 Assets                                | \$ 82,387,251 |                             |                    |         |         |

(1) Valuation for these loans is based on recovery analysis.

| December 31, 2022                    |                |                             |                    |         |         |
|--------------------------------------|----------------|-----------------------------|--------------------|---------|---------|
| Asset Category                       | Fair Value     | Primary Valuation Technique | Unobservable Input | Range   |         |
|                                      |                |                             |                    | Minimum | Maximum |
| Assets:                              |                |                             |                    |         |         |
| Loans                                | \$ 78,011,106  | Discounted cash flow        | Discount rate      | 10.51 % |         |
| Loans through participation interest | 42,269,242     | Discounted cash flow        | Discount rate      | 15.25 % |         |
| Total Level 3 Assets                 | \$ 120,280,348 |                             |                    |         |         |

#### [Schedule of Changes in Fair Value Investment](#)

Changes in the Company's Level 3 investments for the six months ended June 30, 2022 were as follows:

|                                                                                                                                                                     | Six Months Ended June 30, 2022 (Predecessor) |                                   |                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------|---------------------------|
|                                                                                                                                                                     | Loans                                        | Loans<br>Through<br>Participation | Total Loan<br>Investments |
| Balance as of January 1, 2022                                                                                                                                       | \$ 61,281,259                                | \$ 48,349,374                     | \$ 109,630,633            |
| Purchases of investments                                                                                                                                            | 27,800,788                                   | 17,705,827                        | 45,506,615                |
| Repayments of investments                                                                                                                                           | (15,000,000)                                 | (19,844,508)                      | (34,844,508)              |
| Net change in unrealized (depreciation) appreciation on investments                                                                                                 | (257,777)                                    | 96,626                            | (161,151)                 |
| Amortization and accretion of investment-related fees, net                                                                                                          | 422,449                                      | 135,505                           | 557,954                   |
| Proceeds from obligations under participation agreements                                                                                                            | —                                            | —                                 | —                         |
| Net change in unrealized depreciation on obligations under participation agreements                                                                                 | —                                            | —                                 | —                         |
| Balance as of June 30, 2022                                                                                                                                         | <u>\$ 74,246,719</u>                         | <u>\$ 46,442,824</u>              | <u>\$ 120,689,543</u>     |
| Net change in unrealized appreciation or depreciation for the period relating to those Level 3 assets that were still held by the Company at the end of the period: |                                              |                                   |                           |
| Net change in unrealized depreciation or appreciation on loan investments and obligations under participation agreements                                            | \$ (54,826)                                  | \$ 96,625                         | \$ 41,799                 |



**Related Party Transactions  
(Tables)**

**6 Months Ended  
Jun. 30, 2023**

[Related Party Transactions  
\[Abstract\]](#)  
[Schedule of Related Party  
Transactions](#)

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

|                                                           | Three Months Ended June 30, |                     | Six Months Ended June 30, |                     |
|-----------------------------------------------------------|-----------------------------|---------------------|---------------------------|---------------------|
|                                                           | 2023 <sup>(1)</sup>         | 2022                | 2023 <sup>(1)</sup>       | 2022                |
|                                                           | (Successor Basis)           | (Predecessor Basis) | (Successor Basis)         | (Predecessor Basis) |
| <b>Amounts Included in the Statements of Operations</b>   |                             |                     |                           |                     |
| Base management fees                                      | \$ 428,883                  | \$ 670,327          | \$ 863,433                | \$ 1,312,500        |
| Incentive fees on capital gains <sup>(2)</sup>            | N/A                         | (158,315)           | N/A                       | (158,315)           |
| Operating expense reimbursement to Adviser <sup>(3)</sup> | 406,480                     | 316,859             | 712,360                   | 568,125             |
| Origination, extension and disposition fees               | 126,754                     | N/A                 | 317,752                   | N/A                 |

(1) These fees were incurred pursuant to the Cost Sharing Agreement between Terra LLC and Terra REIT.

(2) For the three and six months ended June 30, 2022, the Company reversed previously accrued incentive fees on capital gains of \$158,315. Incentive fees on capital gains were based on 20.0% of net realized and unrealized capital gains. No incentive fees on capital gains were actualized with respect to unrealized gains unless and until those gains were realized.

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

|                                                      | June 30, 2023           |                   |                | December 31, 2022       |                   |
|------------------------------------------------------|-------------------------|-------------------|----------------|-------------------------|-------------------|
|                                                      | (Successor Basis)       |                   |                | (Predecessor Basis)     |                   |
|                                                      | Participating Interests | Principal Balance | Carrying Value | Participating Interests | Principal Balance |
| 370 Lex Part Deux, LLC <sup>(1)</sup>                | 35.0 %                  | \$ 23,704,377     | \$ 23,704,380  | 35.0 %                  | \$ 23,650,000     |
| RS JZ Driggs, LLC <sup>(1)</sup>                     | 50.0 %                  | 2,678,576         | 2,678,576      | 50.0 %                  | 2,490,000         |
| William A. Shopoff & Cindy I. Shopoff <sup>(2)</sup> | — %                     | —                 | —              | 66.7 %                  | 16,666,667        |
| Havemeyer TSM LLC <sup>(2)(3)</sup>                  | — %                     | —                 | —              | 23.0 %                  | 3,280,000         |
| Allowance for credit losses                          |                         | —                 | (3,937,050)    |                         | —                 |
| Total                                                |                         | \$ 26,382,953     | \$ 22,445,906  |                         | \$ 46,100,000     |

(1) The loan is held in the name of Terra REIT, the Company's parent entity.

(2) This loan was repaid in the first quarter of 2023.

(3) The loan was held in the name of Mavik Real Estate Special Opportunities Fund REIT, LLC.

## Debt (Tables)

### [Debt Disclosure \[Abstract\]](#) [Schedule of Debt](#)

## 6 Months Ended Jun. 30, 2023

For the three and six months ended June 30, 2023 and 2022, the components of interest expense were as follows:

|                                                  | Three Months Ended June 30, |                     | Six Months Ended    |
|--------------------------------------------------|-----------------------------|---------------------|---------------------|
|                                                  | 2023                        | 2022                | 2023                |
|                                                  | (Successor Basis)           | (Predecessor Basis) | (Successor Basis)   |
| Stated interest expense                          | \$ 671,563                  | \$ 671,562          | \$ 1,343,125        |
| Amortization of issue discount                   | —                           | 51,921              | —                   |
| Amortization of financing costs                  | —                           | 43,016              | —                   |
| Amortization of purchase discount <sup>(1)</sup> | 288,486                     | —                   | 569,073             |
| <b>Total interest expense</b>                    | <b>\$ 960,049</b>           | <b>\$ 766,499</b>   | <b>\$ 1,912,198</b> |
| Weighted average debt outstanding                | \$ 38,375,000               | \$ 38,375,000       | \$ 38,375,000       |
| Cash paid for interest expense                   | \$ 671,563                  | \$ 671,562          | \$ 1,343,125        |
| Stated interest rate                             | 7.00 %                      | 7.00 %              | 7.00 %              |
| Effective interest rate <sup>(2)</sup>           | 7.00 %                      | 7.63 %              | 7.00 %              |

(1) The purchase discount was recorded in connection with the Merger ([Note 5](#))

(2) The effective interest rate of the debt component is equal to the stated interest rate plus the amortization of issue discount, if any.

For the three and six months ended June 30, 2023 and 2022, the components of interest expense were as follows:

|                                        | Three Months Ended June 30, |                     | Six Months Ended  |
|----------------------------------------|-----------------------------|---------------------|-------------------|
|                                        | 2023                        | 2022                | 2023              |
|                                        | (Successor Basis)           | (Predecessor Basis) | (Successor Basis) |
| Stated interest expense                | \$ 355,468                  | \$ 353,750          | \$ 707,031        |
| Amortization of issue discount         | —                           | 38,829              | —                 |
| Amortization of financing costs        | —                           | 17,969              | —                 |
| Unused fee                             | —                           | 229                 | —                 |
| <b>Total interest expense</b>          | <b>\$ 355,468</b>           | <b>\$ 410,777</b>   | <b>\$ 707,031</b> |
| Weighted average debt outstanding      | \$ 24,890,110               | \$ 24,879,121       | \$ 24,944,751     |
| Cash paid for interest expense         | \$ 355,468                  | \$ 353,979          | \$ 707,031        |
| Stated interest rate                   | 5.625 %                     | 5.625 %             | 5.625 %           |
| Effective interest rate <sup>(1)</sup> | 5.625 %                     | 6.25 %              | 5.625 %           |

(1) The effective interest rate of the debt component is equal to the stated interest rate plus the amortization of issue discount and fees paid to the Scheduled debt principal payments for each of the five calendar years following June 30, 2023 are as follows:

| Years Ending December 31,         |           |
|-----------------------------------|-----------|
| 2023 (July 1 through December 31) | \$        |
| 2024                              |           |
| 2025                              |           |
| 2026                              |           |
| 2027                              |           |
| Thereafter                        |           |
| Unamortized discount, net         |           |
| <b>Total</b>                      | <b>\$</b> |

### [Schedule of Debt Maturity](#)

## Income Taxes (Tables)

**6 Months Ended  
Jun. 30, 2023**

### [Income Tax Disclosure](#)

#### [\[Abstract\]](#)

#### [Schedule of Income Tax Net Increase in Assets](#)

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

|                                                                                     | Six Months Ended<br>Jun. 30, 2023 |
|-------------------------------------------------------------------------------------|-----------------------------------|
| Net increase in net assets resulting from operations                                | \$ 1,696,398                      |
| Net change in unrealized appreciation on investments                                | 130,807                           |
| Net change in unrealized depreciation on obligations under participation agreements | 1,827,205                         |
| Income tax expense                                                                  |                                   |
| Reversal of incentive fees on capital gains                                         |                                   |
| Other temporary differences <sup>(1)</sup>                                          |                                   |
| Total taxable income <sup>(2)</sup>                                                 | \$ 3,654,410                      |

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

(2) Amount included \$1.3 million of taxable income attributable to the TRS described below.

#### [Schedule of Components of Cash Distribution](#)

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

|                                      | Six Months Ended<br>Jun. 30, 2023  |
|--------------------------------------|------------------------------------|
|                                      | (Predecessor)                      |
| Source of Distribution               | Distribution Amount <sup>(1)</sup> |
| Return of capital                    | \$ 1,696,398                       |
| Net investment income <sup>(2)</sup> | 130,807                            |
| Distributions on a tax basis:        | \$ 1,827,205                       |

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

(2) The TRS's taxable income was not available for distribution to Terra BDC's stockholders until the income was distributed to the parent company. As of June 30, 2022, the TRS made a distribution of \$0.4 million to the parent company.

**Net Increase in Net Assets**  
**(Tables)**

**6 Months Ended**  
**Jun. 30, 2023**

[Earnings Per Share](#)  
[\[Abstract\]](#)  
[Schedule of Earnings Per](#)  
[Share, Basic and Diluted](#)

The following information sets forth the computation of the weighted average net increase in net assets per share from operations:

| Basic                                                                     | Three Months Ended June 30, 2022 |           | (Predecessor) |
|---------------------------------------------------------------------------|----------------------------------|-----------|---------------|
|                                                                           |                                  |           |               |
| Net (decrease) increase in net assets resulting from operations           | \$                               | (512,270) | \$            |
| Weighted average common shares outstanding                                |                                  | 8,110,168 |               |
| Net (decrease) increase in net assets per share resulting from operations | \$                               | (0.06)    | \$            |

## Distributions (Tables)

**6 Months Ended  
Jun. 30, 2023**

[Equity \[Abstract\]](#)  
[Schedule of Dividend](#)  
[Distribution](#)

The following table reflects Terra BDC's distributions for the six months ended June 30, 2022:

| Record Date       | Payment Date      | Per Share<br>Per Day | Distributions<br>Paid in Cash | Distributions<br>Paid through<br>the DRIP |
|-------------------|-------------------|----------------------|-------------------------------|-------------------------------------------|
| January 26, 2022  | January 31, 2022  | \$ 0.001247          | \$ 238,677                    | \$ 73,511                                 |
| February 23, 2022 | February 28, 2022 | 0.001247             | 216,361                       | 65,895                                    |
| March 28, 2022    | March 31, 2022    | 0.001247             | 240,331                       | 72,450                                    |
| April 27, 2022    | April 30, 2022    | 0.001247             | 233,306                       | 69,690                                    |
| May 26, 2022      | May 29, 2022      | 0.001247             | 240,446                       | 72,945                                    |
| June 25, 2022     | June 30, 2022     | 0.001247             | 232,797                       | 70,785                                    |
|                   |                   |                      | <u>\$ 1,401,918</u>           | <u>\$ 425,281</u>                         |

## Financial Highlights (Tables)

6 Months Ended  
Jun. 30, 2023

[Investment Company,  
Financial Highlights  
\[Abstract\]  
Schedule of Financial  
Highlights](#)

The following is a schedule of financial highlights for Terra BDC:

|                                                                                                    | Six Months Ended Jun. 30, 2023 |
|----------------------------------------------------------------------------------------------------|--------------------------------|
| <b>Per share data:</b>                                                                             |                                |
| Net asset value at beginning of period                                                             | \$                             |
| Results of operations <sup>(1)</sup> :                                                             |                                |
| Net investment income                                                                              |                                |
| Net change in unrealized depreciation on investments                                               |                                |
| Net change in unrealized depreciation on obligations under participation agreements <sup>(2)</sup> |                                |
| Net realized gain on investments                                                                   |                                |
| Net increase in net assets resulting from operations                                               |                                |
| Stockholder distributions <sup>(3)</sup> :                                                         |                                |
| Distributions from return of capital                                                               |                                |
| Distributions from net investment income                                                           |                                |
| Net decrease in net assets resulting from stockholder distributions                                |                                |
| Net asset value, end of period                                                                     | \$                             |
| Shares outstanding at end of period                                                                |                                |
| Total return <sup>(4)</sup>                                                                        |                                |
| <b>Ratio/Supplemental data:</b>                                                                    |                                |
| Net assets, end of period                                                                          | \$                             |
| Ratio of net investment income to average net assets <sup>(5)</sup>                                |                                |
| Ratio of operating expenses to average net assets <sup>(5) (6) (7)</sup>                           |                                |
| Portfolio turnover                                                                                 |                                |

(1) The per share data was derived by using the weighted average shares outstanding during the applicable period.

(2) The impact on net asset value was approximately \$0.003.

(3) The per share data for distributions reflects the actual amount of distributions declared per share during the applicable period.

(4) 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 terms of the offering memorandum. This calculation 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.

(5) These ratios are calculated using annualized net investment income and operating expenses.

(6) Excluding accrued incentive fees on capital gains, the ratio of operating expenses to average net assets was 16.19%, (7) Excluding accrued incentive fees on capital gains, transaction costs and interest expense on debt, the ratio of operating expenses to average net assets was 9.42%.

**Principal Business and  
Organization (Details) - USD  
(\$)**

**1 Months Ended**

**Feb. 28, 2021   Jun. 30, 2023   Dec. 31, 2022**

**Financial Highlights**

Unsecured debt

\$ 34,611,977   \$ 34,042,904

Terra BDC | Fixed rate due 2026

**Financial Highlights**

Unsecured debt

\$ 38,400,000

Fixed rate (as a percent)

7.00%

Medium-term notes

\$ 37,200,000

Expense related to underwriting fees \$ 1,200,000

**Summary of Significant  
Accounting Policies -  
Schedule of Cash (Details) -  
USD (\$)**

[Accounting Policies \[Abstract\]](#)

[Cash and cash equivalents](#)

[Restricted cash](#)

[Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows](#)

| Jun. 30,<br>2023 | Dec. 31,<br>2022 | Jun. 30,<br>2022 | Dec. 31,<br>2021 |
|------------------|------------------|------------------|------------------|
|------------------|------------------|------------------|------------------|

|           |           |            |            |
|-----------|-----------|------------|------------|
| \$        | \$        | \$         |            |
| 8,761,896 | 6,524,596 | 19,674,620 |            |
| 0         |           | 194,907    |            |
| \$        | \$        | \$         | \$         |
| 8,761,896 | 6,739,953 | 19,869,527 | 12,456,874 |



|                                                                                                     |                |               |
|-----------------------------------------------------------------------------------------------------|----------------|---------------|
| Summary of Significant<br>Accounting Policies -<br>Narrative (Details) - USD (\$)<br>\$ in Millions | 6 Months Ended |               |
|                                                                                                     | Jun. 30, 2023  | Jan. 01, 2023 |

**Schedule of Investments**

Incentive fee on capital gains (as a percent) 20.00%

Servicing fee, annual rate (as a percent) 0.75%

Accounting Standards Update 2016-13

**Schedule of Investments**

Cumulative effect of adoption of credit loss \$ 0.7

| Loans Held for Investment -<br>Narrative (Details)                   | 1 Months<br>Ended<br>May 31,<br>2023<br>USD (\$) | 3 Months Ended<br>Jun. 30,<br>2023<br>USD (\$)<br>loan | Mar. 31,<br>2023<br>USD (\$) | 6 Months<br>Ended<br>Jun. 30,<br>2023<br>USD (\$)<br>loan | Jan. 01,<br>2023<br>USD (\$) | Dec. 31,<br>2022<br>USD (\$)<br>loan | Dec. 28,<br>2022<br>USD (\$) |
|----------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------|------------------------------|-----------------------------------------------------------|------------------------------|--------------------------------------|------------------------------|
| <a href="#">Schedule of Investments</a>                              |                                                  |                                                        |                              |                                                           |                              |                                      |                              |
| <a href="#">Accrued interest receivable</a>                          |                                                  | \$<br>1,300,000                                        |                              | \$<br>1,300,000                                           |                              | \$ 1,400,000                         |                              |
| <a href="#">Other commitment</a>                                     |                                                  | 1,800,000                                              |                              | 1,800,000                                                 |                              | 5,900,000                            |                              |
| <a href="#">Prior</a>                                                |                                                  | 29,308,792                                             |                              | 29,308,792                                                |                              |                                      |                              |
| <a href="#">Carrying Value</a>                                       |                                                  | 86,311,799                                             |                              | 86,311,799                                                |                              | 125,350,076                          |                              |
| <a href="#">Allowance for credit losses</a>                          |                                                  | 4,503,591                                              |                              | 4,503,591                                                 |                              | 3,937,050                            |                              |
| <a href="#">Cash payment made by the<br/>Company</a>                 | \$<br>27,400,000                                 |                                                        |                              | 27,354,342                                                |                              |                                      |                              |
| <a href="#">Equity investment in<br/>unconsolidated investment</a>   |                                                  | 37,031,942                                             |                              | 37,031,942                                                |                              | 10,013,691                           |                              |
| <a href="#">Income (loss) from equity<br/>investments</a>            |                                                  | (124,106)                                              |                              | 190,907                                                   |                              |                                      |                              |
| <a href="#">Distribution from equity<br/>investments</a>             |                                                  |                                                        |                              | 526,998                                                   |                              |                                      |                              |
| <a href="#">Payments to acquire held-to-<br/>maturity securities</a> |                                                  |                                                        |                              | 10,012,512                                                |                              |                                      |                              |
| <a href="#">Corporate Joint Venture</a>                              |                                                  |                                                        |                              |                                                           |                              |                                      |                              |
| <a href="#">Schedule of Investments</a>                              |                                                  |                                                        |                              |                                                           |                              |                                      |                              |
| <a href="#">Income (loss) from equity<br/>investments</a>            |                                                  | (300,000)                                              |                              | (300,000)                                                 |                              |                                      |                              |
| <a href="#">Non-performing</a>                                       |                                                  |                                                        |                              |                                                           |                              |                                      |                              |
| <a href="#">Schedule of Investments</a>                              |                                                  |                                                        |                              |                                                           |                              |                                      |                              |
| <a href="#">Interest income suspended</a>                            |                                                  | \$<br>1,000,000                                        |                              | \$<br>1,000,000                                           |                              | \$ 2,000,000                         |                              |
| <a href="#">Number of non-performing<br/>loans   loan</a>            |                                                  | 2                                                      |                              | 2                                                         |                              | 2                                    |                              |
| <a href="#">Prior</a>                                                |                                                  | \$<br>26,400,000                                       |                              | \$<br>26,400,000                                          |                              |                                      |                              |
| <a href="#">Carrying Value</a>                                       |                                                  | 26,400,000                                             |                              | 26,400,000                                                |                              |                                      |                              |
| <a href="#">Allowance for credit losses</a>                          |                                                  | \$<br>3,900,000                                        |                              | \$<br>3,900,000                                           |                              | \$ 3,900,000                         |                              |
| <a href="#">Non-performing   Non-accrual</a>                         |                                                  |                                                        |                              |                                                           |                              |                                      |                              |
| <a href="#">Schedule of Investments</a>                              |                                                  |                                                        |                              |                                                           |                              |                                      |                              |
| <a href="#">Number of loans in default  <br/>loan</a>                |                                                  | 2                                                      |                              | 2                                                         |                              | 2                                    |                              |
| <a href="#">Non-performing</a>                                       |                                                  |                                                        |                              |                                                           |                              |                                      |                              |
| <a href="#">Schedule of Investments</a>                              |                                                  |                                                        |                              |                                                           |                              |                                      |                              |

|                                                        |            |            |            |
|--------------------------------------------------------|------------|------------|------------|
| <u>Carrying Value</u>                                  | \$         | \$         | \$         |
|                                                        | 26,382,955 | 26,382,955 | 26,155,048 |
| <u>Non-performing   Non-performing</u>                 |            |            |            |
| <u>Schedule of Investments</u>                         |            |            |            |
| <u>Carrying Value</u>                                  | 26,382,955 | 26,382,955 |            |
| <u>Accounting Standards Update 2016-13</u>             |            |            |            |
| <u>Schedule of Investments</u>                         |            |            |            |
| <u>Cumulative effect of adoption of credit loss</u>    |            | \$         |            |
|                                                        |            | 700,000    |            |
| <u>Corporate Debt Securities</u>                       |            |            |            |
| <u>Schedule of Investments</u>                         |            |            |            |
| <u>Payments to acquire held-to-maturity securities</u> |            | \$         |            |
|                                                        |            | 10,000,000 |            |
| <u>Current Interest Rate</u>                           |            | 6.125%     |            |
| <u>Mezzanine loans</u>                                 |            |            |            |
| <u>Schedule of Investments</u>                         |            |            |            |
| <u>Principal balance</u>                               | \$         |            | \$         |
|                                                        | 10,000,000 |            | 10,000,000 |
| <u>% Net Assets</u>                                    | 80.00%     |            | 35.00%     |
| <u>Income (loss) from equity investments</u>           | 200,000    | 500,000    |            |
| <u>Distribution from equity investments</u>            | \$ 300,000 | \$ 500,000 |            |

| Loans Held for Investment -<br>Schedule of Company's<br>Portfolio (Details) | 6 Months Ended 12 Months Ended |                  |
|-----------------------------------------------------------------------------|--------------------------------|------------------|
|                                                                             | Jun. 30, 2023                  | Dec. 31, 2022    |
|                                                                             | USD (\$)                       | USD (\$)         |
|                                                                             | loan                           | loan             |
| <b><u>Investment</u></b>                                                    |                                |                  |
| <a href="#">Number of loans   loan</a>                                      | 6                              | 9                |
| <a href="#">Principal Balance</a>                                           | \$ 85,539,515                  | \$ 123,739,823   |
| <a href="#">Carrying value</a>                                              | 81,808,208                     | 121,413,026      |
| <a href="#">Fair value</a>                                                  | \$ 82,387,251                  | \$ 120,280,348   |
| <a href="#">Weighted-average coupon rate</a>                                | 15.00%                         | 14.20%           |
| <a href="#">Weighted-average remaining term (years)</a>                     | 8 months 15 days               | 9 months 18 days |
| <a href="#">Number of loans subject to variable rate   loan</a>             | 2                              | 3                |
| <a href="#">Fixed Rate</a>                                                  |                                |                  |
| <b><u>Investment</u></b>                                                    |                                |                  |
| <a href="#">Number of loans   loan</a>                                      | 4                              | 6                |
| <a href="#">Principal Balance</a>                                           | \$ 43,267,842                  | \$ 61,913,795    |
| <a href="#">Carrying value</a>                                              | 43,487,381                     | 62,781,893       |
| <a href="#">Fair value</a>                                                  | \$ 43,273,776                  | \$ 62,035,611    |
| <a href="#">Weighted-average coupon rate</a>                                | 13.70%                         | 14.10%           |
| <a href="#">Weighted-average remaining term (years)</a>                     | 8 months 12 days               | 10 months 9 days |
| <a href="#">Floating Rate</a>                                               |                                |                  |
| <b><u>Investment</u></b>                                                    |                                |                  |
| <a href="#">Number of loans   loan</a>                                      | 2                              | 3                |
| <a href="#">Principal Balance</a>                                           | \$ 42,271,673                  | \$ 61,826,028    |
| <a href="#">Carrying value</a>                                              | 38,320,827                     | 58,631,133       |
| <a href="#">Fair value</a>                                                  | \$ 39,113,475                  | \$ 58,244,737    |
| <a href="#">Weighted-average coupon rate</a>                                | 16.40%                         | 14.40%           |
| <a href="#">Weighted-average remaining term (years)</a>                     | 9 months 10 days               | 9 months 7 days  |
| <a href="#">LIBOR</a>                                                       |                                |                  |
| <b><u>Investment</u></b>                                                    |                                |                  |
| <a href="#">Reference rate (percent)</a>                                    | 5.20%                          | 4.40%            |
| <a href="#">Average SOFR</a>                                                |                                |                  |
| <b><u>Investment</u></b>                                                    |                                |                  |
| <a href="#">Reference rate (percent)</a>                                    | 5.10%                          |                  |
| <a href="#">SOFR</a>                                                        |                                |                  |
| <b><u>Investment</u></b>                                                    |                                |                  |
| <a href="#">Reference rate (percent)</a>                                    | 5.10%                          | 4.10%            |

| Loans Held for Investment -<br>Schedule of Company's<br>Portfolio Activities (Details) -<br>USD (\$) | 3 Months<br>Ended | 6 Months Ended   |                  |
|------------------------------------------------------------------------------------------------------|-------------------|------------------|------------------|
|                                                                                                      | Jun. 30,<br>2023  | Jun. 30,<br>2023 | Jun. 30,<br>2022 |
| <b><u>Company's Portfolio [Roll Forward]</u></b>                                                     |                   |                  |                  |
| <u>Net amortization of discounts on loans</u>                                                        |                   | \$ (744,316)     |                  |
| <u>Accrual, payment and accretion of investment-related fees and other, net</u>                      |                   | 226,859          | \$ 526,576       |
| <u>Reversal of provision for credit losses</u>                                                       | \$ (47,349)       | 67,988           |                  |
| <u>Funded Loans</u>                                                                                  |                   |                  |                  |
| <b><u>Company's Portfolio [Roll Forward]</u></b>                                                     |                   |                  |                  |
| <u>Beginning balance</u>                                                                             |                   | 121,413,026      |                  |
| <u>New loans made</u>                                                                                |                   | 3,256,570        |                  |
| <u>Principal repayments received</u>                                                                 |                   | (41,777,390)     |                  |
| <u>Net amortization of discounts on loans</u>                                                        |                   | (744,316)        |                  |
| <u>Accrual, payment and accretion of investment-related fees and other, net</u>                      |                   | 226,859          |                  |
| <u>Reversal of provision for credit losses</u>                                                       |                   | 26,499           |                  |
| <u>Ending balance</u>                                                                                | 81,808,208        | 81,808,208       |                  |
| <u>Funded Loans   Cumulative effect of credit loss accounting standard</u>                           |                   |                  |                  |
| <b><u>Company's Portfolio [Roll Forward]</u></b>                                                     |                   |                  |                  |
| <u>Beginning balance</u>                                                                             |                   | (593,040)        |                  |
| <u>Loans Held for Investment</u>                                                                     |                   |                  |                  |
| <b><u>Company's Portfolio [Roll Forward]</u></b>                                                     |                   |                  |                  |
| <u>Beginning balance</u>                                                                             |                   | 79,082,650       |                  |
| <u>New loans made</u>                                                                                |                   | 3,023,096        |                  |
| <u>Principal repayments received</u>                                                                 |                   | (21,655,810)     |                  |
| <u>Net amortization of discounts on loans</u>                                                        |                   | (662,905)        |                  |
| <u>Accrual, payment and accretion of investment-related fees and other, net</u>                      |                   | 141,812          |                  |
| <u>Reversal of provision for credit losses</u>                                                       |                   | 26,499           |                  |
| <u>Ending balance</u>                                                                                | 59,362,302        | 59,362,302       |                  |
| <u>Loans Held for Investment   Cumulative effect of credit loss accounting standard</u>              |                   |                  |                  |
| <b><u>Company's Portfolio [Roll Forward]</u></b>                                                     |                   |                  |                  |
| <u>Beginning balance</u>                                                                             |                   | (593,040)        |                  |
| <u>Loans Held for Investment through Participation Interests</u>                                     |                   |                  |                  |
| <b><u>Company's Portfolio [Roll Forward]</u></b>                                                     |                   |                  |                  |
| <u>Beginning balance</u>                                                                             |                   | 42,330,376       |                  |
| <u>New loans made</u>                                                                                |                   | 233,474          |                  |
| <u>Principal repayments received</u>                                                                 |                   | (20,121,580)     |                  |
| <u>Net amortization of discounts on loans</u>                                                        |                   | (81,411)         |                  |
| <u>Accrual, payment and accretion of investment-related fees and other, net</u>                      |                   | 85,047           |                  |
| <u>Reversal of provision for credit losses</u>                                                       |                   | 0                |                  |
| <u>Ending balance</u>                                                                                | \$ 22,445,906     | 22,445,906       |                  |

Loans Held for Investment through Participation Interests | Cumulative effect  
of credit loss accounting standard

**Company's Portfolio [Roll Forward]**

Beginning balance

\$ 0

**Loans Held for Investment -  
Schedule of Portfolio  
Information (Details) - USD  
(\$)**

|                                                                                                                       | <b>Jun. 30,<br/>2023</b> | <b>Dec. 31,<br/>2022</b> |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b><br><b><u>[Abstract]</u></b> |                          |                          |
| <u>Principal Balance</u>                                                                                              | \$<br>85,539,515         | \$<br>123,739,823        |
| <u>Allowance for credit losses</u>                                                                                    | (4,503,591)              | (3,937,050)              |
| <u>Total loans</u>                                                                                                    | \$<br>81,808,208         | \$<br>121,413,026        |
| <u>% of Total</u>                                                                                                     | 100.00%                  | 100.00%                  |
| <u>Percent of allowance for credit losses (percent)</u>                                                               | (5.50%)                  | (3.20%)                  |
| <u>Property Type Concentration Risk   Investment Owned At Cost</u>                                                    |                          |                          |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b><br><b><u>[Abstract]</u></b> |                          |                          |
| <u>Percent of allowance for credit losses (percent)</u>                                                               | (5.50%)                  | (3.20%)                  |
| <u>Geographic Location Concentration Risk   Investment Owned At Cost</u>                                              |                          |                          |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b><br><b><u>[Abstract]</u></b> |                          |                          |
| <u>Percent of allowance for credit losses (percent)</u>                                                               | (5.50%)                  | (3.20%)                  |
| <u>New York</u>                                                                                                       |                          |                          |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b><br><b><u>[Abstract]</u></b> |                          |                          |
| <u>Principal Balance</u>                                                                                              | \$<br>26,382,953         | \$ 29,437,256            |
| <u>Carrying Value</u>                                                                                                 | \$<br>26,382,956         | \$ 29,470,078            |
| <u>New York   Geographic Location Concentration Risk   Investment Owned At Cost</u>                                   |                          |                          |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b><br><b><u>[Abstract]</u></b> |                          |                          |
| <u>% of Total</u>                                                                                                     | 32.30%                   | 24.30%                   |
| <u>California</u>                                                                                                     |                          |                          |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b><br><b><u>[Abstract]</u></b> |                          |                          |
| <u>Principal Balance</u>                                                                                              | \$<br>21,567,296         | \$ 37,114,999            |
| <u>Carrying Value</u>                                                                                                 | \$<br>21,787,435         | \$ 37,531,542            |
| <u>California   Geographic Location Concentration Risk   Investment Owned At Cost</u>                                 |                          |                          |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b><br><b><u>[Abstract]</u></b> |                          |                          |
| <u>% of Total</u>                                                                                                     | 26.60%                   | 30.80%                   |
| <u>Utah</u>                                                                                                           |                          |                          |

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**

**[Abstract]**

|                          |                  |               |
|--------------------------|------------------|---------------|
| <u>Principal Balance</u> | \$<br>21,250,000 | \$ 21,250,000 |
| <u>Carrying Value</u>    | \$<br>21,522,542 | \$ 21,705,029 |

Utah | Geographic Location Concentration Risk | Investment Owned At Cost

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**

**[Abstract]**

|                   |        |        |
|-------------------|--------|--------|
| <u>% of Total</u> | 26.30% | 17.90% |
|-------------------|--------|--------|

Georgia

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**

**[Abstract]**

|                          |                  |               |
|--------------------------|------------------|---------------|
| <u>Principal Balance</u> | \$<br>16,339,266 | \$ 15,217,540 |
| <u>Carrying Value</u>    | \$<br>16,618,866 | \$ 15,548,446 |

Georgia | Geographic Location Concentration Risk | Investment Owned At Cost

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**

**[Abstract]**

|                   |        |        |
|-------------------|--------|--------|
| <u>% of Total</u> | 20.30% | 12.80% |
|-------------------|--------|--------|

North Carolina

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**

**[Abstract]**

|                          |      |               |
|--------------------------|------|---------------|
| <u>Principal Balance</u> | \$ 0 | \$ 20,720,028 |
| <u>Carrying Value</u>    | \$ 0 | \$ 21,094,981 |

North Carolina | Geographic Location Concentration Risk | Investment Owned At Cost

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**

**[Abstract]**

|                   |       |        |
|-------------------|-------|--------|
| <u>% of Total</u> | 0.00% | 17.40% |
|-------------------|-------|--------|

Total | Geographic Location Concentration Risk | Investment Owned At Cost

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**

**[Abstract]**

|                   |         |         |
|-------------------|---------|---------|
| <u>% of Total</u> | 100.00% | 100.00% |
|-------------------|---------|---------|

Office

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**

**[Abstract]**

|                          |                  |               |
|--------------------------|------------------|---------------|
| <u>Principal Balance</u> | \$<br>23,704,377 | \$ 23,655,377 |
| <u>Carrying Value</u>    | \$<br>23,704,380 | \$ 23,655,377 |

Office | Property Type Concentration Risk | Investment Owned At Cost

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**

**[Abstract]**

|                   |        |        |
|-------------------|--------|--------|
| <u>% of Total</u> | 28.90% | 19.50% |
|-------------------|--------|--------|



Infrastructure

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**  
**[Abstract]**

|                          |            |               |
|--------------------------|------------|---------------|
| <u>Principal Balance</u> | \$         |               |
|                          | 21,250,000 | \$ 21,250,000 |
| <u>Carrying Value</u>    | \$         |               |
|                          | 21,522,542 | \$ 21,705,029 |

Infrastructure | Property Type Concentration Risk | Investment Owned At Cost

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**  
**[Abstract]**

|                   |        |        |
|-------------------|--------|--------|
| <u>% of Total</u> | 26.30% | 17.90% |
|-------------------|--------|--------|

Multifamily

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**  
**[Abstract]**

|                          |            |               |
|--------------------------|------------|---------------|
| <u>Principal Balance</u> | \$         |               |
|                          | 19,017,842 | \$ 17,717,211 |
| <u>Carrying Value</u>    | \$         |               |
|                          | 19,297,442 | \$ 18,048,117 |

Multifamily | Property Type Concentration Risk | Investment Owned At Cost

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**  
**[Abstract]**

|                   |        |        |
|-------------------|--------|--------|
| <u>% of Total</u> | 23.60% | 14.90% |
|-------------------|--------|--------|

Mixed-use

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**  
**[Abstract]**

|                          |            |               |
|--------------------------|------------|---------------|
| <u>Principal Balance</u> | \$         |               |
|                          | 18,567,296 | \$ 41,452,859 |
| <u>Carrying Value</u>    | \$         |               |
|                          | 18,861,598 | \$ 42,227,836 |

Mixed-use | Property Type Concentration Risk | Investment Owned At Cost

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**  
**[Abstract]**

|                   |        |        |
|-------------------|--------|--------|
| <u>% of Total</u> | 23.10% | 34.70% |
|-------------------|--------|--------|

Student housing

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**  
**[Abstract]**

|                          |              |              |
|--------------------------|--------------|--------------|
| <u>Principal Balance</u> | \$ 3,000,000 | \$ 3,000,000 |
| <u>Carrying Value</u>    | \$ 2,925,837 | \$ 2,916,369 |

Student housing | Property Type Concentration Risk | Investment Owned At Cost

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**  
**[Abstract]**

|                   |       |       |
|-------------------|-------|-------|
| <u>% of Total</u> | 3.60% | 2.40% |
|-------------------|-------|-------|

Industrial

**Financing Receivable, before Allowance for Credit Loss, by Origination Year**  
**[Abstract]**

|                          |      |               |
|--------------------------|------|---------------|
| <u>Principal Balance</u> | \$ 0 | \$ 16,664,376 |
|--------------------------|------|---------------|

|                                                                                           |              |               |
|-------------------------------------------------------------------------------------------|--------------|---------------|
| <u>Carrying Value</u>                                                                     | \$ 0         | \$ 16,797,348 |
| <u>Industrial   Property Type Concentration Risk   Investment Owned At Cost</u>           |              |               |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b> |              |               |
| <b><u>[Abstract]</u></b>                                                                  |              |               |
| <u>% of Total</u>                                                                         | 0.00%        | 13.80%        |
| <u>Total   Property Type Concentration Risk   Investment Owned At Cost</u>                |              |               |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b> |              |               |
| <b><u>[Abstract]</u></b>                                                                  |              |               |
| <u>% of Total</u>                                                                         | 100.00%      | 100.00%       |
| <u>Preferred equity investments</u>                                                       |              |               |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b> |              |               |
| <b><u>[Abstract]</u></b>                                                                  |              |               |
| <u>Principal Balance</u>                                                                  | \$           |               |
|                                                                                           | 61,289,515   | \$ 58,823,211 |
| <u>Carrying Value</u>                                                                     | \$           |               |
|                                                                                           | 61,863,420   | \$ 59,521,319 |
| <u>% of Total</u>                                                                         | 75.60%       | 49.00%        |
| <u>First mortgages</u>                                                                    |              |               |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b> |              |               |
| <b><u>[Abstract]</u></b>                                                                  |              |               |
| <u>Principal Balance</u>                                                                  | \$           |               |
|                                                                                           | 21,250,000   | \$ 41,970,028 |
| <u>Carrying Value</u>                                                                     | \$           |               |
|                                                                                           | 21,522,542   | \$ 42,800,010 |
| <u>% of Total</u>                                                                         | 26.30%       | 35.30%        |
| <u>Mezzanine loans</u>                                                                    |              |               |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b> |              |               |
| <b><u>[Abstract]</u></b>                                                                  |              |               |
| <u>Principal Balance</u>                                                                  | \$ 3,000,000 | \$ 6,282,208  |
| <u>Carrying Value</u>                                                                     | \$ 2,925,837 | \$ 6,231,399  |
| <u>% of Total</u>                                                                         | 3.60%        | 5.10%         |
| <u>Credit facility</u>                                                                    |              |               |
| <b><u>Financing Receivable, before Allowance for Credit Loss, by Origination Year</u></b> |              |               |
| <b><u>[Abstract]</u></b>                                                                  |              |               |
| <u>Principal Balance</u>                                                                  | \$ 0         | \$ 16,664,376 |
| <u>Carrying Value</u>                                                                     | \$ 0         | \$ 16,797,348 |
| <u>% of Total</u>                                                                         | 0.00%        | 13.80%        |

**Loans Held for Investment -  
Schedule of Allowances of  
Loan Losses (Details) - USD  
(\$)**

**6 Months Ended**

**Jun. 30, 2023 Jun. 30, 2022**

**Allowances for Loan Losses [Roll Forward]**

Allowance for credit losses, beginning of period

\$ 3,937,050

Allowance for credit losses, end of period

4,503,591

**Funded Loans**

**Allowances for Loan Losses [Roll Forward]**

Allowance for credit losses, beginning of period

3,937,050      \$ 0

Reversal of provision for credit losses

(26,499)      0

Charge-offs

0      0

Recoveries

0      0

Allowance for credit losses, end of period

4,503,591      0

**Unfunded Commitments**

**Off-Balance-Sheet, Credit Loss, Liability [Roll Forward]**

Liability for credit losses on unfunded commitments, beginning of period

0

Reversal of provision for credit losses

(41,489)

Liability for credit losses on unfunded commitments, end of period

26,893

Cumulative effect of credit loss accounting standard | Funded Loans

**Allowances for Loan Losses [Roll Forward]**

Allowance for credit losses, beginning of period

593,040      \$ 0

Cumulative effect of credit loss accounting standard | Unfunded Commitments

**Off-Balance-Sheet, Credit Loss, Liability [Roll Forward]**

Liability for credit losses on unfunded commitments, beginning of period

\$ 68,382

| Loans Held for Investment -<br>Schedules of Loan Risk<br>Ratings (Details) | 6 Months Ended 12 Months Ended |                |
|----------------------------------------------------------------------------|--------------------------------|----------------|
|                                                                            | Jun. 30, 2023                  | Dec. 31, 2022  |
|                                                                            | USD (\$) loan                  | USD (\$) loan  |
| <b><u>Ceded Credit Risk [Line Items]</u></b>                               |                                |                |
| <u>Number of loans   loan</u>                                              | 6                              | 9              |
| <u>Principal Balance</u>                                                   | \$ 85,539,515                  | \$ 123,739,823 |
| <u>Amortized Cost</u>                                                      | \$ 86,311,799                  | 125,350,076    |
| <u>% of Total</u>                                                          | 100.00%                        |                |
| <u>Allowance for credit losses</u>                                         | \$ (4,503,591)                 | (3,937,050)    |
| <u>Total loans</u>                                                         | 81,808,208                     | 121,413,026    |
| <u>2023</u>                                                                | 0                              |                |
| <u>2022</u>                                                                | 18,861,598                     |                |
| <u>2021</u>                                                                | 38,141,409                     |                |
| <u>2020</u>                                                                | 0                              |                |
| <u>2019</u>                                                                | 0                              |                |
| <u>Prior</u>                                                               | 29,308,792                     |                |
| <u>Non-performing</u>                                                      |                                |                |
| <b><u>Ceded Credit Risk [Line Items]</u></b>                               |                                |                |
| <u>Amortized Cost</u>                                                      | 26,400,000                     |                |
| <u>Allowance for credit losses</u>                                         | (3,900,000)                    | \$ (3,900,000) |
| <u>Prior</u>                                                               | \$ 26,400,000                  |                |
| <u>1</u>                                                                   |                                |                |
| <b><u>Ceded Credit Risk [Line Items]</u></b>                               |                                |                |
| <u>Number of loans   loan</u>                                              | 0                              |                |
| <u>Amortized Cost</u>                                                      | \$ 0                           |                |
| <u>% of Total</u>                                                          | 0.00%                          |                |
| <u>2023</u>                                                                | \$ 0                           |                |
| <u>2022</u>                                                                | 0                              |                |
| <u>2021</u>                                                                | 0                              |                |
| <u>2020</u>                                                                | 0                              |                |
| <u>2019</u>                                                                | 0                              |                |
| <u>Prior</u>                                                               | \$ 0                           |                |
| <u>2</u>                                                                   |                                |                |
| <b><u>Ceded Credit Risk [Line Items]</u></b>                               |                                |                |
| <u>Number of loans   loan</u>                                              | 0                              |                |
| <u>Amortized Cost</u>                                                      | \$ 0                           |                |
| <u>% of Total</u>                                                          | 0.00%                          |                |
| <u>2023</u>                                                                | \$ 0                           |                |
| <u>2022</u>                                                                | 0                              |                |
| <u>2021</u>                                                                | 0                              |                |
| <u>2020</u>                                                                | 0                              |                |
| <u>2019</u>                                                                | 0                              |                |

|                                              |               |
|----------------------------------------------|---------------|
| <u>Prior</u>                                 | \$ 0          |
| <u>3</u>                                     |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b> |               |
| <u>Number of loans   loan</u>                | 3             |
| <u>Amortized Cost</u>                        | \$ 41,067,246 |
| <u>% of Total</u>                            | 47.50%        |
| <u>2023</u>                                  | \$ 0          |
| <u>2022</u>                                  | 0             |
| <u>2021</u>                                  | 38,141,409    |
| <u>2020</u>                                  | 0             |
| <u>2019</u>                                  | 0             |
| <u>Prior</u>                                 | \$ 2,925,837  |

|                                              |               |
|----------------------------------------------|---------------|
| <u>4</u>                                     |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b> |               |
| <u>Number of loans   loan</u>                | 1             |
| <u>Amortized Cost</u>                        | \$ 18,861,598 |
| <u>% of Total</u>                            | 21.90%        |
| <u>2023</u>                                  | \$ 0          |
| <u>2022</u>                                  | 18,861,598    |
| <u>2021</u>                                  | 0             |
| <u>2020</u>                                  | 0             |
| <u>2019</u>                                  | 0             |
| <u>Prior</u>                                 | \$ 0          |

|                                              |       |
|----------------------------------------------|-------|
| <u>5</u>                                     |       |
| <b><u>Ceded Credit Risk [Line Items]</u></b> |       |
| <u>Number of loans   loan</u>                | 0     |
| <u>Amortized Cost</u>                        | \$ 0  |
| <u>% of Total</u>                            | 0.00% |
| <u>2023</u>                                  | \$ 0  |
| <u>2022</u>                                  | 0     |
| <u>2021</u>                                  | 0     |
| <u>2020</u>                                  | 0     |
| <u>2019</u>                                  | 0     |
| <u>Prior</u>                                 | 0     |

|                                              |      |
|----------------------------------------------|------|
| <u>1</u>                                     |      |
| <b><u>Ceded Credit Risk [Line Items]</u></b> |      |
| <u>Number of loans   loan</u>                | 0    |
| <u>Principal Balance</u>                     | \$ 0 |
| <u>Amortized Cost</u>                        | \$ 0 |
| <u>2</u>                                     |      |
| <b><u>Ceded Credit Risk [Line Items]</u></b> |      |
| <u>Number of loans   loan</u>                | 0    |
| <u>Principal Balance</u>                     | \$ 0 |
| <u>Amortized Cost</u>                        | \$ 0 |

|                                                        |               |               |
|--------------------------------------------------------|---------------|---------------|
| <u>3</u>                                               |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |
| <u>Number of loans   loan</u>                          |               | 7             |
| <u>Principal Balance</u>                               |               | \$ 97,584,775 |
| <u>Amortized Cost</u>                                  |               | \$ 99,195,028 |
| <u>4</u>                                               |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |
| <u>Number of loans   loan</u>                          |               | 0             |
| <u>Principal Balance</u>                               |               | \$ 0          |
| <u>Amortized Cost</u>                                  |               | \$ 0          |
| <u>5</u>                                               |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |
| <u>Number of loans   loan</u>                          |               | 0             |
| <u>Principal Balance</u>                               |               | \$ 0          |
| <u>Amortized Cost</u>                                  |               | \$ 0          |
| <u>Non-performing</u>                                  |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |
| <u>Number of loans   loan</u>                          |               | 2             |
| <u>Principal Balance</u>                               |               | \$ 26,155,048 |
| <u>Amortized Cost</u>                                  | \$ 26,382,955 | \$ 26,155,048 |
| <u>Non-performing   Non-performing</u>                 |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |
| <u>Number of loans   loan</u>                          | 2             |               |
| <u>Amortized Cost</u>                                  | \$ 26,382,955 |               |
| <u>% of Total</u>                                      | 30.60%        |               |
| <u>2023</u>                                            | \$ 0          |               |
| <u>2022</u>                                            | 0             |               |
| <u>2021</u>                                            | 0             |               |
| <u>2020</u>                                            | 0             |               |
| <u>2019</u>                                            | \$ 0          |               |
| <u>Investment Owned At Cost   Loan Risk Rating</u>     |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |
| <u>% of Total</u>                                      |               | 100.00%       |
| <u>Investment Owned At Cost   Loan Risk Rating   1</u> |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |
| <u>% of Total</u>                                      |               | 0.00%         |
| <u>Investment Owned At Cost   Loan Risk Rating   2</u> |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |
| <u>% of Total</u>                                      |               | 0.00%         |
| <u>Investment Owned At Cost   Loan Risk Rating   3</u> |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |
| <u>% of Total</u>                                      |               | 79.10%        |
| <u>Investment Owned At Cost   Loan Risk Rating   4</u> |               |               |
| <b><u>Ceded Credit Risk [Line Items]</u></b>           |               |               |

|                                                                     |        |
|---------------------------------------------------------------------|--------|
| <u>% of Total</u>                                                   | 0.00%  |
| <u>Investment Owned At Cost   Loan Risk Rating   5</u>              |        |
| <b><u>Ceded Credit Risk [Line Items]</u></b>                        |        |
| <u>% of Total</u>                                                   | 0.00%  |
| <u>Investment Owned At Cost   Loan Risk Rating   Non-performing</u> |        |
| <b><u>Ceded Credit Risk [Line Items]</u></b>                        |        |
| <u>% of Total</u>                                                   | 20.90% |

**Fair Value Measurements -  
Schedule of Fair Value  
Measurements (Details) -  
USD (\$)**

|                                                                                           | <b>Jun. 30,<br/>2023</b> | <b>Dec. 31,<br/>2022</b> | <b>Jun. 30,<br/>2022</b> | <b>Dec. 31,<br/>2021</b> |
|-------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b><u>Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]</u></b> |                          |                          |                          |                          |
| <u>Money market fund</u>                                                                  | \$<br>2,525,843          |                          |                          |                          |
| <u>Marketable securities</u>                                                              | 531,696                  | \$ 0                     | \$ 0                     | \$ 0                     |
| <u>Total</u>                                                                              | 3,057,539                |                          |                          |                          |
| <u>Marketable securities</u>                                                              |                          |                          |                          |                          |
| <b><u>Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]</u></b> |                          |                          |                          |                          |
| <u>Marketable securities</u>                                                              | 531,696                  |                          |                          |                          |
| <u>Level 1</u>                                                                            |                          |                          |                          |                          |
| <b><u>Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]</u></b> |                          |                          |                          |                          |
| <u>Money market fund</u>                                                                  | 2,525,843                |                          |                          |                          |
| <u>Marketable securities</u>                                                              | 531,696                  |                          |                          |                          |
| <u>Total</u>                                                                              | 3,057,539                |                          |                          |                          |
| <u>Level 2</u>                                                                            |                          |                          |                          |                          |
| <b><u>Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]</u></b> |                          |                          |                          |                          |
| <u>Money market fund</u>                                                                  | 0                        |                          |                          |                          |
| <u>Total</u>                                                                              | 0                        |                          |                          |                          |
| <u>Level 2   Marketable securities</u>                                                    |                          |                          |                          |                          |
| <b><u>Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]</u></b> |                          |                          |                          |                          |
| <u>Marketable securities</u>                                                              | 0                        |                          |                          |                          |
| <u>Level 3</u>                                                                            |                          |                          |                          |                          |
| <b><u>Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]</u></b> |                          |                          |                          |                          |
| <u>Money market fund</u>                                                                  | 0                        |                          |                          |                          |
| <u>Total</u>                                                                              | 0                        |                          |                          |                          |
| <u>Level 3   Marketable securities</u>                                                    |                          |                          |                          |                          |
| <b><u>Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]</u></b> |                          |                          |                          |                          |
| <u>Marketable securities</u>                                                              | \$ 0                     |                          |                          |                          |



**Fair Value Measures -  
Schedule of Activities of the  
Marketable Securities  
(Details) - USD (\$)**

**6 Months Ended**

**Jun. 30, 2023 Jun. 30, 2022**

**Fair Value Reconciliation [Roll Forward]**

|                                                 |            |      |
|-------------------------------------------------|------------|------|
| <u>Beginning balance</u>                        | \$ 0       | \$ 0 |
| <u>Purchases</u>                                | 525,867    | 0    |
| <u>Unrealized gain on marketable securities</u> | 5,829      | 0    |
| <u>Ending balance</u>                           | \$ 531,696 | \$ 0 |

**Fair Value Measurements -  
Schedule of Carrying Values  
and Estimated Fair Values of  
Debt Instruments (Details)**

|                                                          | <b>Jun. 30, 2023</b> | <b>Dec. 31, 2022</b> |
|----------------------------------------------------------|----------------------|----------------------|
|                                                          | <b>USD (\$)</b>      | <b>USD (\$)</b>      |
|                                                          | <b>\$ / shares</b>   | <b>\$ / shares</b>   |
| <b><u>Investments [Abstract]</u></b>                     |                      |                      |
| <u>Principal Balance</u>                                 | \$ 85,539,515        | \$ 123,739,823       |
| <u>Carrying Value</u>                                    | 86,311,799           | 125,350,076          |
| <u>Allowance for credit losses</u>                       | (4,503,591)          | (3,937,050)          |
| <u>Total loans</u>                                       | 81,808,208           | 121,413,026          |
| <u>Loans</u>                                             | 82,387,251           | 120,280,348          |
| <b><u>Liabilities:</u></b>                               |                      |                      |
| <u>Principal Balance</u>                                 | 53,375,000           | 63,375,000           |
| <u>Carrying value</u>                                    |                      |                      |
| <b><u>Investments [Abstract]</u></b>                     |                      |                      |
| <u>Total loans</u>                                       | 81,808,208           | 121,413,026          |
| <b><u>Liabilities:</u></b>                               |                      |                      |
| <u>Financial liabilities fair value disclosure</u>       | 49,461,977           |                      |
| <u>Carrying value</u>                                    |                      | 59,042,904           |
| <u>Fair value</u>                                        |                      |                      |
| <b><u>Investments [Abstract]</u></b>                     |                      |                      |
| <u>Loans</u>                                             | 82,387,251           | 120,280,348          |
| <b><u>Liabilities:</u></b>                               |                      |                      |
| <u>Financial liabilities fair value disclosure</u>       | 51,533,000           |                      |
| <u>Fair Value</u>                                        |                      | 60,381,748           |
| <u>Level 3   Term loans payable</u>                      |                      |                      |
| <b><u>Liabilities:</u></b>                               |                      |                      |
| <u>Principal Balance</u>                                 | 15,000,000           | 25,000,000           |
| <u>Level 3   Term loans payable   Carrying value</u>     |                      |                      |
| <b><u>Liabilities:</u></b>                               |                      |                      |
| <u>Term loan payable</u>                                 | 14,850,000           | 25,000,000           |
| <u>Level 3   Term loans payable   Fair value</u>         |                      |                      |
| <b><u>Liabilities:</u></b>                               |                      |                      |
| <u>Term loan payable</u>                                 | 15,000,000           | 25,000,000           |
| <u>Level 1   Unsecured note payable</u>                  |                      |                      |
| <b><u>Liabilities:</u></b>                               |                      |                      |
| <u>Principal Balance</u>                                 | 38,375,000           | 38,375,000           |
| <u>Unamortized purchase discount</u>                     | 3,800,000            | 4,300,000            |
| <u>Level 1   Unsecured note payable   Carrying value</u> |                      |                      |
| <b><u>Liabilities:</u></b>                               |                      |                      |
| <u>Unsecured notes payable</u>                           | 34,611,977           | 34,042,904           |
| <u>Level 1   Unsecured note payable   Fair value</u>     |                      |                      |
| <b><u>Liabilities:</u></b>                               |                      |                      |
| <u>Unsecured notes payable</u>                           | 36,533,000           | \$ 35,381,748        |
| <u>Level 1   Term loans payable</u>                      |                      |                      |

**Liabilities:**

|                                                                                            |               |               |
|--------------------------------------------------------------------------------------------|---------------|---------------|
| <u>Unamortized purchase discount</u>                                                       | \$ 150,000    |               |
| <u>Debt instrument, measurement input</u>                                                  | 0.1248        | 0.05625       |
| <u>Loans held for investment   Level 3</u>                                                 |               |               |
| <b><u>Investments [Abstract]</u></b>                                                       |               |               |
| <u>Principal Balance</u>                                                                   | \$ 59,156,562 | \$ 77,638,191 |
| <u>Loans held for investment   Level 3   Carrying value</u>                                |               |               |
| <b><u>Investments [Abstract]</u></b>                                                       |               |               |
| <u>Carrying Value</u>                                                                      | 59,928,843    | 79,082,650    |
| <u>Loans held for investment   Level 3   Fair value</u>                                    |               |               |
| <b><u>Investments [Abstract]</u></b>                                                       |               |               |
| <u>Loans</u>                                                                               | 59,949,503    | 78,011,106    |
| <u>Loans held for investment acquired through participation   Level 3</u>                  |               |               |
| <b><u>Investments [Abstract]</u></b>                                                       |               |               |
| <u>Principal Balance</u>                                                                   | 26,382,953    | 46,101,632    |
| <u>Loans held for investment acquired through participation   Level 3   Carrying value</u> |               |               |
| <b><u>Investments [Abstract]</u></b>                                                       |               |               |
| <u>Carrying Value</u>                                                                      | 26,382,956    | 46,267,426    |
| <u>Loans held for investment acquired through participation   Level 3   Fair value</u>     |               |               |
| <b><u>Investments [Abstract]</u></b>                                                       |               |               |
| <u>Loans</u>                                                                               | \$ 22,437,748 | \$ 42,269,242 |
| <u>Unsecured note payable</u>                                                              |               |               |
| <b><u>Liabilities:</u></b>                                                                 |               |               |
| <u>Share price (in dollars per share)   \$ / shares</u>                                    | \$ 23.80      | \$ 23.05      |

**Fair Value Measurements -  
Schedule of Fair Value  
Measurement Inputs and  
Valuation Techniques  
(Details)**

|                                                                                                              | <b>Jun. 30,<br/>2023<br/>USD (\$)</b> | <b>Dec. 31,<br/>2022<br/>USD (\$)</b> |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Loans</u>                                                                                                 | \$ 82,387,251                         | \$ 120,280,348                        |
| <u>Level 3</u>                                                                                               |                                       |                                       |
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Total loans</u>                                                                                           | 82,387,251                            | 120,280,348                           |
| <u>Loans   Level 3</u>                                                                                       |                                       |                                       |
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Loans</u>                                                                                                 | \$ 59,949,503                         | \$ 78,011,106                         |
| <u>Loans   Minimum   Discount Rate   Level 3</u>                                                             |                                       |                                       |
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Discount rate (as a percent)</u>                                                                          | 0.1245                                | 0.1051                                |
| <u>Loans   Maximum   Discount Rate   Level 3</u>                                                             |                                       |                                       |
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Discount rate (as a percent)</u>                                                                          | 0.1631                                | 0.1936                                |
| <u>Loans   Weighted average   Discount Rate   Level 3</u>                                                    |                                       |                                       |
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Discount rate (as a percent)</u>                                                                          | 0.1523                                | 0.1449                                |
| <u>Loans held for investment acquired through participation   Level 3</u>                                    |                                       |                                       |
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Loans through participation interest</u>                                                                  | \$ 22,437,748                         | \$ 42,269,242                         |
| <u>Loans held for investment acquired through participation   Minimum   Discount Rate   Level 3</u>          |                                       |                                       |
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Discount rate (as a percent)</u>                                                                          |                                       | 0.1525                                |
| <u>Loans held for investment acquired through participation   Maximum   Discount Rate   Level 3</u>          |                                       |                                       |
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Discount rate (as a percent)</u>                                                                          |                                       | 0.1661                                |
| <u>Loans held for investment acquired through participation   Weighted average   Discount Rate   Level 3</u> |                                       |                                       |
| <b><u>Assets:</u></b>                                                                                        |                                       |                                       |
| <u>Discount rate (as a percent)</u>                                                                          |                                       | 0.1638                                |

| Fair Value Measurements -<br>Schedule of Changes in Fair<br>Value Investment (Details) -<br>USD (\$)                                 | 3 Months Ended      |                  | 6 Months Ended   |                  |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------|------------------|------------------|
|                                                                                                                                      | Jun.<br>30,<br>2023 | Jun. 30,<br>2022 | Jun. 30,<br>2023 | Jun. 30,<br>2022 |
| <b><u>Fair Value, Liabilities Measured on Recurring Basis,<br/>Unobservable Input Reconciliation, Calculation [Roll Forward]</u></b> |                     |                  |                  |                  |
| <u>Net change in unrealized depreciation on investments</u>                                                                          | \$ 5,829            |                  | \$ 5,829         |                  |
| <u>Amortization and accretion of investment-related fees, net</u>                                                                    |                     |                  | 226,859          | \$ 526,576       |
| <u>Proceeds from obligations under participation agreements</u>                                                                      |                     |                  |                  | 959,293          |
| <u>Level 3</u>                                                                                                                       |                     |                  |                  |                  |
| <b><u>Fair Value, Liabilities Measured on Recurring Basis,<br/>Unobservable Input Reconciliation, Calculation [Roll Forward]</u></b> |                     |                  |                  |                  |
| <u>Opening balance</u>                                                                                                               |                     |                  |                  | 109,630,633      |
| <u>Purchases of investments</u>                                                                                                      |                     |                  |                  | 45,506,615       |
| <u>Repayments of investments</u>                                                                                                     |                     |                  |                  | (34,844,508)     |
| <u>Net change in unrealized depreciation on investments</u>                                                                          |                     |                  |                  | (161,151)        |
| <u>Amortization and accretion of investment-related fees, net</u>                                                                    |                     |                  |                  | 557,954          |
| <u>Ending balance</u>                                                                                                                | \$                  | 120,689,543      |                  | 120,689,543      |
| <u>Net change in unrealized depreciation on investments</u>                                                                          | 41,799              |                  |                  | 41,799           |
| <u>Loans   Level 3</u>                                                                                                               |                     |                  |                  |                  |
| <b><u>Fair Value, Liabilities Measured on Recurring Basis,<br/>Unobservable Input Reconciliation, Calculation [Roll Forward]</u></b> |                     |                  |                  |                  |
| <u>Opening balance</u>                                                                                                               |                     |                  |                  | 61,281,259       |
| <u>Purchases of investments</u>                                                                                                      |                     |                  |                  | 27,800,788       |
| <u>Repayments of investments</u>                                                                                                     |                     |                  |                  | (15,000,000)     |
| <u>Net change in unrealized depreciation on investments</u>                                                                          |                     |                  |                  | (257,777)        |
| <u>Amortization and accretion of investment-related fees, net</u>                                                                    |                     |                  |                  | 422,449          |
| <u>Ending balance</u>                                                                                                                | 74,246,719          |                  |                  | 74,246,719       |
| <u>Net change in unrealized depreciation on investments</u>                                                                          | (54,826)            |                  |                  | (54,826)         |
| <u>Loans held for investment acquired through participation</u>                                                                      |                     |                  |                  |                  |
| <b><u>Fair Value, Liabilities Measured on Recurring Basis,<br/>Unobservable Input Reconciliation, Calculation [Roll Forward]</u></b> |                     |                  |                  |                  |
| <u>Purchases of investments</u>                                                                                                      |                     |                  | 233,474          |                  |
| <u>Repayments of investments</u>                                                                                                     |                     |                  | 20,121,580       |                  |
| <u>Amortization and accretion of investment-related fees, net</u>                                                                    |                     |                  | \$ 85,047        |                  |
| <u>Loans held for investment acquired through participation   Level 3</u>                                                            |                     |                  |                  |                  |
| <b><u>Fair Value, Liabilities Measured on Recurring Basis,<br/>Unobservable Input Reconciliation, Calculation [Roll Forward]</u></b> |                     |                  |                  |                  |
| <u>Opening balance</u>                                                                                                               |                     |                  |                  | 48,349,374       |
| <u>Purchases of investments</u>                                                                                                      |                     |                  |                  | 17,705,827       |
| <u>Repayments of investments</u>                                                                                                     |                     |                  |                  | (19,844,508)     |
| <u>Net change in unrealized depreciation on investments</u>                                                                          |                     |                  |                  | 96,626           |
| <u>Amortization and accretion of investment-related fees, net</u>                                                                    |                     |                  |                  | 135,505          |

|                                                                                                                                  |             |             |
|----------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| <u>Ending balance</u>                                                                                                            | 46,442,824  | 46,442,824  |
| <u>Net change in unrealized depreciation on investments</u>                                                                      | 96,625      | 96,625      |
| <u>Obligations under Participation Agreements</u>                                                                                |             |             |
| <b><u>Fair Value, Liabilities Measured on Recurring Basis, Unobservable Input Reconciliation, Calculation [Roll Forward]</u></b> |             |             |
| <u>Net change in unrealized depreciation on investments</u>                                                                      | 14,579      | 26,940      |
| <u>Obligations under Participation Agreements   Level 3</u>                                                                      |             |             |
| <b><u>Fair Value, Liabilities Measured on Recurring Basis, Unobservable Input Reconciliation, Calculation [Roll Forward]</u></b> |             |             |
| <u>Opening balance</u>                                                                                                           |             | 4,883,877   |
| <u>Amortization and accretion of investment-related fees, net</u>                                                                |             | 31,378      |
| <u>Proceeds from obligations under participation agreements</u>                                                                  |             | 959,293     |
| <u>Net change in unrealized depreciation on obligations under participation agreements</u>                                       |             | (26,940)    |
| <u>Ending balance</u>                                                                                                            | 5,847,608   | 5,847,608   |
| <u>Net change in unrealized depreciation on investments</u>                                                                      | \$ (26,940) | \$ (26,940) |

| Related Party Transactions -<br>Summary of Fees and<br>Reimbursement (Details) -<br>USD (\$) | 3 Months Ended |                           | 6 Months Ended |                             |
|----------------------------------------------------------------------------------------------|----------------|---------------------------|----------------|-----------------------------|
|                                                                                              | Jun. 30, 2023  | Jun. 30, 2022             | Jun. 30, 2023  | Jun. 30, 2022               |
| <b><u>Related Party Transaction</u></b>                                                      |                |                           |                |                             |
| <u>Base management fees</u>                                                                  | \$ 428,883     | <sup>[1]</sup> \$ 670,327 | \$ 863,433     | <sup>[1]</sup> \$ 1,292,145 |
| <u>Reversal of incentive fees on capital gains</u>                                           | <sup>[2]</sup> | 158,315                   |                | 33,674                      |
| <u>Operating expense reimbursement to Adviser</u>                                            | 406,480        | <sup>[1]</sup> 316,859    | 712,360        | <sup>[1]</sup> 617,049      |
| <b><u>Related Party</u></b>                                                                  |                |                           |                |                             |
| <b><u>Related Party Transaction</u></b>                                                      |                |                           |                |                             |
| <u>Base management fees</u>                                                                  | 428,883        | 670,327                   | 863,433        | 1,292,145                   |
| <u>Reversal of incentive fees on capital gains</u>                                           |                | (158,315)                 |                | (33,674)                    |
| <u>Operating expense reimbursement to Adviser</u>                                            | 406,480        | \$ 316,859                | 712,360        | \$ 617,049                  |
| <u>Origination, extension and disposition fees</u>                                           | \$ 126,754     |                           | \$ 317,752     |                             |
| <u>Net realized and unrealized capital gains percentage</u>                                  | 20.00%         |                           | 20.00%         |                             |

[1] The fees were paid, and expenses were reimbursed, to Terra Property Trust, Inc. ("Terra REIT") pursuant to a cost sharing agreement with Terra REIT ([Note 5](#)).

[2] For the three and six months ended June 30, 2022, the Company reversed previously accrued incentive fees on capital gains of \$158,315 and \$33,674, respectively. Incentive fees on capital gains were based on 20% of net realized and unrealized capital gains. No incentive fees on capital gains were actually payable by the Company with respect to unrealized gains unless and until those gains were realized.

| Related Party Transactions -<br>Merger (Details)                      | Oct. 01,<br>2022<br>\$ / shares<br>shares | 3 Months<br>Ended         | 6 Months<br>Ended         | 12 Months<br>Ended        |
|-----------------------------------------------------------------------|-------------------------------------------|---------------------------|---------------------------|---------------------------|
|                                                                       |                                           | Jun. 30, 2022<br>USD (\$) | Jun. 30, 2022<br>USD (\$) | Dec. 31, 2022<br>USD (\$) |
| <u>Related Party Transaction</u>                                      |                                           |                           |                           |                           |
| <u>Transaction costs   \$</u>                                         |                                           | \$ 1,145,880              | \$ 1,145,880              | \$ 1,500,000              |
| <u>Class B Common Stock</u>                                           |                                           |                           |                           |                           |
| <u>Related Party Transaction</u>                                      |                                           |                           |                           |                           |
| <u>Conversion ratio</u>                                               | 0.595                                     |                           |                           |                           |
| <u>Share price (in dollars per share)</u>                             | \$ 14.38                                  |                           |                           |                           |
| <u>Class B Common Stock   Terra REIT</u>                              |                                           |                           |                           |                           |
| <u>Related Party Transaction</u>                                      |                                           |                           |                           |                           |
| <u>Common stock, par or stated value per share (in USD per share)</u> | 0.01                                      |                           |                           |                           |
| <u>Terra BDC</u>                                                      |                                           |                           |                           |                           |
| <u>Related Party Transaction</u>                                      |                                           |                           |                           |                           |
| <u>Common stock, par or stated value per share (in USD per share)</u> | \$ 0.001                                  |                           |                           |                           |
| <u>Sale of stock, percentage</u>                                      | 19.90%                                    |                           |                           |                           |
| <u>Terra BDC   Class B Common Stock</u>                               |                                           |                           |                           |                           |
| <u>Related Party Transaction</u>                                      |                                           |                           |                           |                           |
| <u>Shares issued (in shares)   shares</u>                             | 4,847,910                                 |                           |                           |                           |



| <b>Related Party Transactions -<br/>Management and Incentive<br/>Fee Compensation to<br/>Adviser (Details)</b> | <b>6 Months<br/>Ended</b> | <b>9 Months<br/>Ended</b> |
|----------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
|                                                                                                                | <b>Jun. 30, 2023</b>      | <b>Sep. 30, 2022</b>      |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Servicing fee percent</u>                                                                                   | 0.75%                     |                           |
| <u>Origination and extension fee (as a percent)</u>                                                            | 1.00%                     |                           |
| <u>Asset management fee (as a percent)</u>                                                                     | 1.00%                     |                           |
| <u>Asset servicing fee (as a percent)</u>                                                                      | 0.25%                     |                           |
| <u>Disposition fee (as a percent)</u>                                                                          | 1.00%                     |                           |
| <u>Affiliated Entity</u>                                                                                       |                           |                           |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Management fee percentage</u>                                                                               |                           | 2.50%                     |
| <u>Investment Advisory Agreement   Affiliated Entity</u>                                                       |                           |                           |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Management fee percentage</u>                                                                               | 2.00%                     |                           |
| <u>Quarterly Hurdle Rate   Affiliated Entity</u>                                                               |                           |                           |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Management fee percentage</u>                                                                               | 2.00%                     |                           |
| <u>Annualized Hurdle Rate   Affiliated Entity</u>                                                              |                           |                           |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Management fee percentage</u>                                                                               | 8.00%                     |                           |
| <u>Pre-Incentive Fee Net Investment Income Below Catch-Up Threshold  </u>                                      |                           |                           |
| <u>Affiliated Entity</u>                                                                                       |                           |                           |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Management fee percentage</u>                                                                               |                           | 100.00%                   |
| <u>Quarterly Catch-Up Threshold   Affiliated Entity</u>                                                        |                           |                           |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Management fee percentage</u>                                                                               |                           | 2.50%                     |
| <u>Annualized Catch-Up Threshold   Affiliated Entity</u>                                                       |                           |                           |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Management fee percentage</u>                                                                               |                           | 10.00%                    |
| <u>Pre-Incentive Fee Net Investment Income Exceeds Catch-Up Threshold  </u>                                    |                           |                           |
| <u>Affiliated Entity</u>                                                                                       |                           |                           |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Management fee percentage</u>                                                                               |                           | 20.00%                    |
| <u>Realized Capital Gains   Affiliated Entity</u>                                                              |                           |                           |
| <b><u>Related Party Transaction</u></b>                                                                        |                           |                           |
| <u>Management fee percentage</u>                                                                               |                           | 20.00%                    |

**Related Party Transactions -  
Transfers of Participation  
Interest (Details) - USD (\$)**

**Jun. 30, 2023 Dec. 31, 2022**

**Related Party Transaction**

Principal Balance \$ 85,539,515 \$ 123,739,823

Participation Agreements

**Related Party Transaction**

Principal Balance 26,382,953 46,101,632

Allowance for credit losses (3,937,050) (3,937,050)

Total \$ 22,445,906 \$ 42,330,376

370 Lex Part Deux, LLC | Participation Agreements

**Related Party Transaction**

Participating Interests 35.00% 35.00%

Principal Balance \$ 23,704,377 \$ 23,655,377

Carrying Value \$ 23,704,380 \$ 23,655,377

RS JZ Driggs, LLC | Participation Agreements

**Related Party Transaction**

Participating Interests 50.00% 50.00%

Principal Balance \$ 2,678,576 \$ 2,499,671

Carrying Value \$ 2,678,576 \$ 2,499,671

William A. Shopoff, Cindy I. Shopoff | Participation Agreements

**Related Party Transaction**

Participating Interests 0.00% 66.70%

Principal Balance \$ 0 \$ 16,664,376

Carrying Value \$ 0 \$ 16,797,348

Havemeyer TSM LLC | Participation Agreements

**Related Party Transaction**

Participating Interests 0.00% 23.00%

Principal Balance \$ 0 \$ 3,282,208

Carrying Value \$ 0 \$ 3,315,030

| Debt - Unsecured Notes<br>Payable (Details) - USD (\$) | Feb. 26,<br>2021 | Feb. 10,<br>2021 | Jun. 30,<br>2023 | Feb. 10,<br>2023 | Dec. 31,<br>2022 | Jun. 30,<br>2022 |
|--------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Debt Instrument</b>                                 |                  |                  |                  |                  |                  |                  |
| <u>Principal balance</u>                               |                  |                  | \$<br>53,375,000 |                  | \$<br>63,375,000 |                  |
| <u>Unsecured note payable</u>                          |                  |                  |                  |                  |                  |                  |
| <b>Debt Instrument</b>                                 |                  |                  |                  |                  |                  |                  |
| <u>Fixed rate (as a percent)</u>                       |                  |                  | 7.00%            |                  |                  | 7.00%            |
| <u>Terra BDC   Unsecured note payable</u>              |                  |                  |                  |                  |                  |                  |
| <b>Debt Instrument</b>                                 |                  |                  |                  |                  |                  |                  |
| <u>Principal balance</u>                               | \$ 3,600,000     | \$<br>34,800,000 |                  |                  |                  |                  |
| <u>Fixed rate (as a percent)</u>                       | 7.00%            | 7.00%            |                  |                  |                  |                  |
| <u>Proceeds from issuance of debt</u>                  | \$ 3,500,000     | \$<br>33,700,000 |                  |                  |                  |                  |
| <u>Underwriting commissions</u>                        | \$ 100,000       | \$ 1,100,000     |                  |                  |                  |                  |
| <u>Unamortized debt issuance expense</u>               |                  |                  |                  | \$ 1,000,000     |                  |                  |

| Debt - Component of<br>Interest Expense (Details) -<br>USD (\$) | 3 Months Ended |               | 6 Months Ended |               |
|-----------------------------------------------------------------|----------------|---------------|----------------|---------------|
|                                                                 | Jun. 30, 2023  | Jun. 30, 2022 | Jun. 30, 2023  | Jun. 30, 2022 |
| <b><u>Debt Instrument</u></b>                                   |                |               |                |               |
| <u>Stated interest expense</u>                                  | \$ 960,049     | \$ 766,499    | \$ 1,912,198   | \$ 1,531,038  |
| <u>Amortization of discount on debt</u>                         |                |               | 569,073        |               |
| <u>Cash paid for interest</u>                                   |                |               | 2,050,156      | 2,069,892     |
| <u>Unsecured note payable</u>                                   |                |               |                |               |
| <b><u>Debt Instrument</u></b>                                   |                |               |                |               |
| <u>Stated interest expense</u>                                  | 671,563        | 671,562       | 1,343,125      | 1,343,124     |
| <u>Amortization of issue discount</u>                           | 0              | 51,921        | 0              | 102,771       |
| <u>Amortization of financing costs</u>                          | 0              | 43,016        | 0              | 85,143        |
| <u>Amortization of discount on debt</u>                         | 288,486        | 0             | 569,073        | 0             |
| <u>Total interest expense</u>                                   | 960,049        | 766,499       | 1,912,198      | 1,531,038     |
| <u>Weighted average debt outstanding</u>                        | 38,375,000     | 38,375,000    | 38,375,000     | 38,375,000    |
| <u>Cash paid for interest</u>                                   | \$ 671,563     | \$ 671,562    | \$ 1,343,125   | \$ 1,343,124  |
| <u>Stated interest rate (as a percent)</u>                      | 7.00%          | 7.00%         | 7.00%          | 7.00%         |
| <u>Effective interest rate (as a percent)</u>                   | 7.00%          | 7.63%         | 7.00%          | 7.63%         |
| <b><u>Term Loan</u></b>                                         |                |               |                |               |
| <b><u>Debt Instrument</u></b>                                   |                |               |                |               |
| <u>Stated interest expense</u>                                  | \$ 355,468     | \$ 353,750    | \$ 707,031     | \$ 550,078    |
| <u>Amortization of issue discount</u>                           | 0              | 38,829        | 0              | 75,581        |
| <u>Amortization of financing costs</u>                          | 0              | 17,969        | 0              | 35,695        |
| <u>Unused fee</u>                                               | 0              | 229           | 0              | 20,927        |
| <u>Total interest expense</u>                                   | 355,468        | 410,777       | 707,031        | 682,281       |
| <u>Weighted average debt outstanding</u>                        | 24,890,110     | 24,879,121    | 24,944,751     | 19,555,249    |
| <u>Cash paid for interest</u>                                   | \$ 355,468     | \$ 353,979    | \$ 707,031     | \$ 571,005    |
| <u>Stated interest rate (as a percent)</u>                      | 5.625%         | 5.625%        | 5.625%         | 5.625%        |
| <u>Effective interest rate (as a percent)</u>                   | 5.625%         | 6.25%         | 5.625%         | 6.25%         |

| Debt - Term Loan (Details) -<br>USD (\$)                      | Aug. 31,<br>2021 | Apr. 09,<br>2021 | 6 Months<br>Ended | 12 Months<br>Ended | Jun. 30,<br>2022 |
|---------------------------------------------------------------|------------------|------------------|-------------------|--------------------|------------------|
|                                                               |                  |                  | Jun. 30, 2023     | Dec. 31, 2022      |                  |
| <b><u>Debt Instrument</u></b>                                 |                  |                  |                   |                    |                  |
| <u>Repayments of borrowings under term loan payable</u>       |                  |                  | \$ (10,000,000)   |                    |                  |
| <u>Principal Balance</u>                                      |                  |                  | \$ 53,375,000     | \$ 63,375,000      |                  |
| <u>Term Loan</u>                                              |                  |                  |                   |                    |                  |
| <b><u>Debt Instrument</u></b>                                 |                  |                  |                   |                    |                  |
| <u>Fixed rate (as a percent)</u>                              |                  |                  | 5.625%            |                    | 5.625%           |
| <u>Debt instrument, fee amount</u>                            |                  |                  | \$ 150,000        |                    |                  |
| <u>Principal Balance</u>                                      |                  |                  | \$ 15,000,000     | 25,000,000         |                  |
| <u>Term Loan   Secured Overnight Financing Rate</u>           |                  |                  |                   |                    |                  |
| <b><u>Debt Instrument</u></b>                                 |                  |                  |                   |                    |                  |
| <u>Debt instrument, basis spread on variable rate</u>         |                  |                  | 7.375%            |                    |                  |
| <u>Term Loan   Secured Overnight Financing Rate   Maximum</u> |                  |                  |                   |                    |                  |
| <b><u>Debt Instrument</u></b>                                 |                  |                  |                   |                    |                  |
| <u>Debt instrument, basis spread on variable rate</u>         |                  |                  | 5.00%             |                    |                  |
| <u>Terra BDC   Term Loan</u>                                  |                  |                  |                   |                    |                  |
| <b><u>Debt Instrument</u></b>                                 |                  |                  |                   |                    |                  |
| <u>Delayed draw term loan</u>                                 |                  | \$ 25,000,000    |                   |                    |                  |
| <u>Minimum incremental loan</u>                               |                  | 1,000,000        |                   |                    |                  |
| <u>Loan in excess</u>                                         |                  | \$ 500,000       |                   |                    |                  |
| <u>Interest rate (in percent)</u>                             |                  | 5.625%           |                   |                    |                  |
| <u>Increase interest rate (in percent)</u>                    |                  | 6.625%           |                   |                    |                  |
| <u>Long term debt upfront fee percent</u>                     |                  | 2.50%            |                   |                    |                  |
| <u>Term loan commitment fee percentage</u>                    |                  | 0.75%            |                   |                    |                  |
| <u>Deferred financing costs</u>                               |                  | \$ 300,000       |                   |                    |                  |
| <u>Proceeds from issuance of secured debt</u>                 | \$ 5,000,000     |                  |                   | \$ 20,000,000      |                  |
| <u>Debt instrument, fee amount</u>                            | \$ 600,000       |                  |                   |                    |                  |

| Debt - Schedule of Debt<br>Maturity (Details)     | Jun. 30, 2023<br>USD (\$) |
|---------------------------------------------------|---------------------------|
| <a href="#">Debt Disclosure [Abstract]</a>        |                           |
| <a href="#">2023 (July 1 through December 31)</a> | \$ 0                      |
| <a href="#">2024</a>                              | 15,000,000                |
| <a href="#">2025</a>                              | 0                         |
| <a href="#">2026</a>                              | 38,375,000                |
| <a href="#">2027</a>                              | 0                         |
| <a href="#">Thereafter</a>                        | 0                         |
| <a href="#">Long-term debt, gross</a>             | 53,375,000                |
| <a href="#">Unamortized discount, net</a>         | (3,913,023)               |
| <a href="#">Total</a>                             | \$ 49,461,977             |

**Commitments and  
Contingencies (Details) -**

**USD (\$)**

**\$ in Millions**

**Jun. 30, 2023 Dec. 31, 2022**

[Commitments and Contingencies Disclosure \[Abstract\]](#)

[Unfunded commitments](#)

\$ 1.8

\$ 5.9

| Income Taxes -<br>Reconciliation of Net<br>Increase in Net Assets<br>Resulting From Operations<br>(Details) - USD (\$) | 3 Months Ended   |                  |                  | 6 Months Ended   |                  |
|------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                                                                                                        | Jun. 30,<br>2023 | Mar. 31,<br>2023 | Jun. 30,<br>2022 | Jun. 30,<br>2023 | Jun. 30,<br>2022 |
| <b>Investments</b>                                                                                                     |                  |                  |                  |                  |                  |
| <a href="#">Net (decrease) increase in net assets resulting from operations</a>                                        | \$ 78,879        | \$ 966,398       | \$ (512,270)     | \$ 1,045,277     | \$ 1,022,972     |
| <a href="#">Net change in unrealized depreciation on investments</a>                                                   | \$ (5,829)       |                  |                  | \$ (5,829)       |                  |
| <a href="#">Income tax expense</a>                                                                                     |                  |                  | 57,005           |                  | 496,658          |
| <a href="#">Reversal of incentive fees on capital gains</a>                                                            | [1]              |                  | (158,315)        |                  | (33,674)         |
| <a href="#">Other temporary differences</a>                                                                            |                  |                  |                  |                  | (260,361)        |
| <a href="#">Total taxable income</a>                                                                                   |                  |                  |                  |                  | 1,449,743        |
| <a href="#">Terra BDC</a>                                                                                              |                  |                  |                  |                  |                  |
| <b>Investments</b>                                                                                                     |                  |                  |                  |                  |                  |
| <a href="#">Total taxable income</a>                                                                                   |                  |                  |                  |                  | 1,300,000        |
| <a href="#">Loans Held for Investment</a>                                                                              |                  |                  |                  |                  |                  |
| <b>Investments</b>                                                                                                     |                  |                  |                  |                  |                  |
| <a href="#">Net change in unrealized depreciation on investments</a>                                                   |                  |                  | 828,675          |                  | 251,088          |
| <a href="#">Obligations under Participation Agreements</a>                                                             |                  |                  |                  |                  |                  |
| <b>Investments</b>                                                                                                     |                  |                  |                  |                  |                  |
| <a href="#">Net change in unrealized depreciation on investments</a>                                                   |                  |                  | \$ (14,579)      |                  | \$ (26,940)      |

[1] For the three and six months ended June 30, 2022, the Company reversed previously accrued incentive fees on capital gains of \$158,315 and \$33,674, respectively. Incentive fees on capital gains were based on 20% of net realized and unrealized capital gains. No incentive fees on capital gains were actually payable by the Company with respect to unrealized gains unless and until those gains were realized.



| Income Taxes - Narratives<br>(Details) - USD (\$)          | 3 Months Ended 6 Months Ended |               |
|------------------------------------------------------------|-------------------------------|---------------|
|                                                            | Jun. 30, 2022                 | Jun. 30, 2022 |
| <u>Income Tax Disclosure [Line Items]</u>                  |                               |               |
| <u>Income tax expense</u>                                  | \$ 57,005                     | \$ 496,658    |
| <u>Taxable REIT Subsidiary   Terra BDC</u>                 |                               |               |
| <u>Income Tax Disclosure [Line Items]</u>                  |                               |               |
| <u>Pre-tax income attributable to taxable subsidiaries</u> | \$ 200,000                    | \$ 1,600,000  |
| <u>Effective Income Tax Rate Reconciliation, Percent</u>   | 29.40%                        | 30.30%        |
| <u>Income tax expense</u>                                  | \$ 100,000                    | \$ 500,000    |
| <u>Change in deferred tax assets</u>                       | 500,000                       | 100,000       |
| <u>Provision for deferred income tax</u>                   | \$ 100,000                    | \$ 20,000.00  |

| Income Taxes - Source<br>Distribution (Details) - USD<br>(\$) | 3 Months Ended 6 Months Ended |               |
|---------------------------------------------------------------|-------------------------------|---------------|
|                                                               | Jun. 30, 2022                 | Jun. 30, 2022 |
| <b><u>Income Tax Disclosure [Line Items]</u></b>              |                               |               |
| <u>Return of capital</u>                                      | \$ 919,973                    | \$ 1,696,398  |
| <u>Net investment income</u>                                  | \$ 0                          | 130,807       |
| <u>Distributions on a tax basis:</u>                          |                               | \$ 1,827,205  |
| <u>Return of capital %</u>                                    |                               | 92.80%        |
| <u>Net investment income %</u>                                |                               | 7.20%         |
| <u>Distributions on a tax basis %</u>                         |                               | 100.00%       |
| <u>Distributions on a tax basis:</u>                          |                               | \$ 1,827,205  |
| <u>Parent Company</u>                                         |                               |               |
| <b><u>Income Tax Disclosure [Line Items]</u></b>              |                               |               |
| <u>Distributions on a tax basis:</u>                          |                               | 400,000       |
| <u>Distributions on a tax basis:</u>                          |                               | \$ 400,000    |

| <b>Directors' Fees (Details) -<br/>USD (\$)</b>                                | <b>3 Months<br/>Ended<br/>Jun. 30, 2022</b> | <b>6 Months<br/>Ended<br/>Jun. 30, 2022</b> | <b>9 Months<br/>Ended<br/>Sep. 30, 2022</b> |
|--------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| <b><u>Other income and expense line items</u></b>                              |                                             |                                             |                                             |
| <u>Directors' fees</u>                                                         | \$ 27,126                                   | \$ 57,252                                   |                                             |
| <u>Terra BDC</u>                                                               |                                             |                                             |                                             |
| <b><u>Other income and expense line items</u></b>                              |                                             |                                             |                                             |
| <u>Directors' fees</u>                                                         |                                             | \$ 57,252                                   |                                             |
| <u>Director   Terra BDC</u>                                                    |                                             |                                             |                                             |
| <b><u>Other income and expense line items</u></b>                              |                                             |                                             |                                             |
| <u>Directors' fees</u>                                                         |                                             |                                             | \$ 20,000                                   |
| <u>Director   In Person meeting   Terra BDC</u>                                |                                             |                                             |                                             |
| <b><u>Other income and expense line items</u></b>                              |                                             |                                             |                                             |
| <u>Directors' fees</u>                                                         |                                             |                                             | 2,500                                       |
| <u>Director   Teleconference meeting   Terra BDC</u>                           |                                             |                                             |                                             |
| <b><u>Other income and expense line items</u></b>                              |                                             |                                             |                                             |
| <u>Directors' fees</u>                                                         |                                             |                                             | 1,000                                       |
| <u>Director   Committee meeting   Terra BDC</u>                                |                                             |                                             |                                             |
| <b><u>Other income and expense line items</u></b>                              |                                             |                                             |                                             |
| <u>Directors' fees</u>                                                         |                                             |                                             | 1,000                                       |
| <u>Chairman of audit committee   Terra BDC</u>                                 |                                             |                                             |                                             |
| <b><u>Other income and expense line items</u></b>                              |                                             |                                             |                                             |
| <u>Directors' fees</u>                                                         |                                             |                                             | 7,500                                       |
| <u>Chairman of audit committee   Other meeting or services  <br/>Terra BDC</u> |                                             |                                             |                                             |
| <b><u>Other income and expense line items</u></b>                              |                                             |                                             |                                             |
| <u>Directors' fees</u>                                                         |                                             |                                             | \$ 2,500                                    |

## Capital (Details)

Jun. 30, 2023

### Equity [Abstract]

Number of shares repurchase, percent 2.50%

| Net Increase in Net Assets<br>(Details) - USD (\$)                                                  | 3 Months Ended   |                  | 6 Months Ended   |                  |
|-----------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                     | Jun. 30,<br>2023 | Mar. 31,<br>2023 | Jun. 30,<br>2022 | Jun. 30,<br>2023 |
| <b>Earnings Per Share [Abstract]</b>                                                                |                  |                  |                  |                  |
| <u>Net (decrease) increase in net assets resulting from operations</u>                              | \$ 78,879        | \$ 966,398       | \$ (512,270)     | \$ 1,045,277     |
| <u>Weighted average common shares outstanding (in shares)</u>                                       |                  |                  | 8,110,168        | 1,022,972        |
| <u>Net (decrease) increase in net assets per share resulting from operations (in USD per share)</u> |                  |                  | \$ (0.06)        | \$ 0.13          |

| Distributions (Details) - USD               |                  |                 |                  |                  |                  |                  | 3 Months<br>Ended | 6 Months<br>Ended |
|---------------------------------------------|------------------|-----------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| (\$)                                        | Jun. 30,<br>2022 | May 29,<br>2022 | Apr. 30,<br>2022 | Mar. 31,<br>2022 | Feb. 28,<br>2022 | Jan. 31,<br>2022 | Jun. 30,<br>2022  | Jun. 30,<br>2022  |
| <u>Equity [Abstract]</u>                    |                  |                 |                  |                  |                  |                  |                   |                   |
| <u>Per Share Per Day (in USD per share)</u> | \$ 0.001247      | \$ 0.001247     | \$ 0.001247      | \$ 0.001247      | \$ 0.001247      | \$ 0.001247      |                   |                   |
| <u>Distributions Paid in Cash</u>           | \$ 232,797       | \$ 240,446      | \$ 233,306       | \$ 240,331       | \$ 216,361       | \$ 238,677       |                   | \$ 1,401,918      |
| <u>Distributions Paid through the DRIP</u>  | 70,783           | 72,948          | 69,693           | 72,452           | 65,899           | 73,512           | \$ 213,424        | 425,287           |
| <u>Total Distributions Paid/Accrued</u>     | \$ 303,580       | \$ 313,394      | \$ 302,999       | \$ 312,783       | \$ 282,260       | \$ 312,189       |                   | \$ 1,827,205      |

| Financial Highlights<br>(Details) - USD (\$)                                                                                 | 3 Months                  | 6 Months                  |                  |                  |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|------------------|------------------|
|                                                                                                                              | Ended<br>Jun. 30,<br>2022 | Ended<br>Jun. 30,<br>2022 | Mar. 31,<br>2022 | Dec. 31,<br>2021 |
| <b><u>Per share data:</u></b>                                                                                                |                           |                           |                  |                  |
| <u>Net asset value, at beginning of period ( in USD per share)</u>                                                           |                           | \$ 9.11                   |                  |                  |
| <b><u>Results of operations:</u></b>                                                                                         |                           |                           |                  |                  |
| <u>Net investment income (in USD per share)</u>                                                                              | \$ 0.03                   | 0.15                      |                  |                  |
| <u>Net change in unrealized (depreciation) appreciation on investments (in USD per share)</u>                                |                           | (0.03)                    |                  |                  |
| <u>Net change in unrealized depreciation (appreciation) on obligations under participation agreements (in USD per share)</u> |                           | 0.003                     |                  |                  |
| <u>Net realized gain on investments (in USD per share)</u>                                                                   |                           | 0.01                      |                  |                  |
| <u>Net increase in net assets resulting from operations (in USD per share)</u>                                               |                           | 0.13                      |                  |                  |
| <b><u>Stockholder distributions:</u></b>                                                                                     |                           |                           |                  |                  |
| <u>Distributions from return of capital (in USD per share)</u>                                                               |                           | (0.21)                    |                  |                  |
| <u>Distributions from net investment income (in USD per share)</u>                                                           |                           | (0.02)                    |                  |                  |
| <u>Net decrease in net assets resulting from stockholder distributions (in USD per share)</u>                                |                           | (0.23)                    |                  |                  |
| <u>Net asset value, end of period ( in USD per share)</u>                                                                    | \$ 9.01                   | \$ 9.01                   |                  |                  |
| <u>Shares outstanding at end of period (in shares)</u>                                                                       | 8,125,458                 | 8,125,458                 | 8,102,167        | 8,078,627        |
| <u>Total return (as a percent)</u>                                                                                           |                           | 1.38%                     |                  |                  |
| <b><u>Ratio/Supplemental data:</u></b>                                                                                       |                           |                           |                  |                  |
| <u>Net assets, end of period</u>                                                                                             | \$<br>73,207,698          | \$<br>73,207,698          | \$<br>74,426,517 | \$<br>73,586,644 |
| <u>Ratio of net investment income to average net assets</u>                                                                  |                           | 4.79%                     |                  |                  |
| <u>Ratio of operating expenses to average net assets</u>                                                                     |                           | 17.70%                    |                  |                  |
| <u>Portfolio turnover</u>                                                                                                    |                           | 29.08%                    |                  |                  |
| <u>Net change in unrealized depreciation (appreciation) on obligations under participation agreements (in USD per share)</u> |                           | \$ 0.003                  |                  |                  |
| <u>Ratio of operating expenses to average net assets</u>                                                                     |                           | 16.19%                    |                  |                  |
| <u>Ratio of operating expenses to average net assets (excluding incentive fee)</u>                                           |                           | 9.42%                     |                  |                  |















































