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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-65611

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2018 AND ENDING 12/31/2018
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: TERRA CAPITAL MARKETS, LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

805 THIRD AVENUE
(No. and Street)

NEW YORK NY 10022
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Michael S. Cardello 212-753-5100
(Area Code Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

DePIETTO CPAs, PC
(Name - if individual, state last, first, middle name)

1981 MARCUS AVENUE - SUITE C110 LAKE SUCCESS NY 11042
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

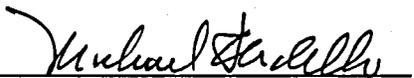
I, Stephen H. Hamrick, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TERRA CAPITAL MARKETS, LLC, as of DECEMBER 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

PRESIDENT

Title

MICHAEL S. CARDELLO
Notary Public, State of New York
No. 01CA6272334
Qualified in Suffolk County
Commission Expires Nov. 19, 2020


Notary Public

This report ** contains (check all applicable boxes):

- X (a) Facing Page.
- X (b) Statement of Financial Condition.
- X (c) Statement of Income (Loss).
- X (d) Statement of Changes in Financial Condition.
- X (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
 - (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- X (g) Computation of Net Capital.
 - (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
 - (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- X (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
 - (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- X (l) An Oath or Affirmation.
- X (m) A copy of the SIPC Supplemental Report.
 - (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Terra Capital Markets, LLC

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DEPIETTO CPA

Accounting • Tax • Advisory

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members
of Terra Capital Markets, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Terra Capital Markets, LLC as of December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Terra Capital Markets, LLC as of December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

DePietto CPA PC

DePietto CPA PC

We have served as Terra Capital Markets, LLC auditor since 2013.

Lake Success, New York

February 27, 2019

Terra Capital Markets, LLC

Statement of Financial Condition

Assets	
Cash and cash equivalents	\$ 383,436
Commission receivable	15,474
Prepaid expenses and other assets	54,370
Fixed assets (net of accumulated depreciation and amortization of \$122,345)	8,006
Total assets	\$ 461,286
Liabilities and Members' Equity	
Liabilities:	
Accounts payable & accrued expenses	172,688
Total liabilities	172,688
Members' equity	288,598
Total liabilities and equity	\$ 461,286

See notes to financial statements.

Terra Capital Markets, LLC

Notes to Financial Statements

Note 1 - Organization and Nature of Business

Terra Capital Markets, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company was founded in June 2002 under the laws of the State of Delaware. The Company provides wholesaling to third party broker/dealers of private placements and offerings registered under the Securities Act of 1933 (the "Funds"). The Funds are managed by affiliated entities which share common ownership with the Company. The Company is registered to sell to third party broker/dealers in all 50 state jurisdictions. The Company operates out of the office of one of its affiliates in the New York City metropolitan area as well as an office in New Jersey.

On February 8, 2018, pursuant to a Securities Purchase Agreement (the "Securities Purchase Agreement"), an affiliate of the Company, Terra Capital Partners ("TCP") and its affiliates entered into an investment agreement with an affiliate of Axar Capital Management L.P., a Delaware limited partnership ("Axar ") whereby Axar acquired from TCP and its affiliates (a) a 65.7% economic and voting interest in TCP and its wholly owned subsidiaries; (b) 49% economic interest in an affiliated manager of several of the Funds; (c) an initial 49% economic interest in Terra Income Advisors, LLC, a Delaware limited liability company ("TIA"), with an agreement to acquire an additional 16.7% economic interest, and for the entire 65.7% stake to become a voting interest in TIA, subject to requisite approval by a majority of the outstanding shares of Terra Income Fund 6, Inc. ("TIF6") of a new advisory and administrative services agreement between TIA and TIF6, and upon the satisfaction of certain other conditions; and (d) upon the Company receiving all required governmental consents, authorizations, orders or approvals as further described in the Securities Purchase Agreement, Axar will acquire a 65.7% voting interest in the Company. The Company received the required consents and approvals by May 1, 2018.

On May 1, 2018, the Company's members, pursuant to a Contribution and Assignment Agreement, have agreed to assign their rights and interest in the Company to TCM Holding Company, LLC, a Delaware limited liability company ("TCM Holding Company") and the new sole member of the Company. Also on this date, Axar acquired a 65.7% interest in TCM Holding Company.

On November 30, 2018, Axar purchased the remaining 34.3% economic and voting interests in TCP and TCM Holding Company.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Company keeps its books and prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Revenue Recognition

The Company earns dealer manager fees on membership units and shares of the Funds it distributes and records this revenue as commission income in the period those membership units or shares are admitted. The Company also earns servicing fees (see Note 5), which are recorded when earned and reported within commission income on the statement of operations.

The Company earns management fees based on the cost of all direct and indirect services provided and recognizes this revenue as received (see Note 5).

Terra Capital Markets, LLC

Notes to Financial Statements

Fixed Assets

Fixed assets are reported at cost less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets (3-7 years). Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

Income Taxes

The Company has elected to be treated as a partnership for federal and state purposes. As a result, no income taxes are provided as they are the responsibility of the individual members. The Company, however, is liable for New York City Unincorporated Business Tax ("UBT"), and various other municipality taxes. New York City ("NYC") imposes UBT at a statutory rate of 4% on net income generated from ordinary business activities carried on in NYC.

Under guidance from FASB ASC 740, the Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. If this threshold is met, management measures the tax benefit as the largest amount of benefit that is more likely than not of being realized upon ultimate settlement. The Company is subject to potential examination by taxing authorities in various jurisdictions. The open (2016 through 2018) tax years under potential examination vary by jurisdiction. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statement of operations. As of December 31, 2018, there was no impact to the financial statements relating to accounting for uncertainty in income tax positions.

Cash and Cash Equivalents

The Company considers all highly liquid investments, with maturities of ninety days or less when purchased, as cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Company follows FASB ASC 820 that establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the investment based on available market data. Unobservable inputs are inputs that reflect management's assumptions about the factors market participants would use in valuing the investment based on the best information available in the circumstances.

The fair value measurement hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical investments.

Level 2 - Valuations based on (i) quoted prices in markets that are not active; (ii) quoted prices for similar investments in active markets; and (iii) inputs other than quoted prices that are observable or inputs derived from or corroborated by market data.

Level 3 - Valuations based on inputs that are unobservable, supported by little or no market activity and that are significant to the overall fair value measurement.

Terra Capital Markets, LLC

Notes to Financial Statements

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, such as, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Note 3 - Investments at Fair Value

As of December 31, 2018, the Company does not have investments that fall within the fair value measurement hierarchy.

Note 4 - New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the balance sheet. For lessors, however, the accounting remains largely unchanged from the current model, with the distinction between operating and financing leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard. The new standard also replaces existing sale-leaseback guidance with a new model applicable to both lessees and lessors. Additionally, the new standard requires extensive quantitative and qualitative disclosures. ASU 2016-02 is effective for U.S. GAAP public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application will be permitted for all entities. The new standard must be adopted using a modified retrospective transition of the new guidance and provides for certain practical expedients. Transition will require application of the new model at the beginning of the earliest comparative period presented. The Company adopted ASU 2016-02 on January 1, 2019. The Company does not expect the adoption of ASU 2016-02 to have a material impact on its financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, a consensus of the FASB's Emerging Issues Task Force ("ASU 2016-18"). ASU 2016-18 requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 does not provide a definition of restricted cash or restricted cash equivalents. ASU 2016-18 is effective for public business entities for annual and interim periods beginning after December 15, 2017. For all other entities, ASU 2016-18 is effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period, and should be applied using a retrospective transition method. The Company does not expect the adoption of ASU 2016-18 to have a material impact on its financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure framework — Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). The objective of ASU 2018-13 is to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of information required by U.S. GAAP. The amendments in ASU 2018-13 added, removed and modified certain fair value measurement disclosure requirements. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years,

Terra Capital Markets, LLC

Notes to Financial Statements

beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of ASU 2018-13. The Company does not expect the adoption of ASU 2018-13 to have a material impact on its financial statements and disclosures.

Note 5 - Related Party Transactions

The Company records its allocable share of rent and other office expenses utilized at the New York location. This expense amounted to \$26,064 for the year ended December 31, 2018 and is included in occupancy expense in the Statement of Operations. There are no amounts owed as of December 31, 2018 relating to this agreement.

The Company provides management services to affiliates in connection with the management of the Funds which include, but are not limited to, accounting, investor relations, and administrative services. For the year ended December 31, 2018, the Company received \$2,050,000 with respect to these services.

On September 30, 2017, TIF6's board approved the servicing plan (the "Servicing Plan") and amended the Amended Dealer Manager Agreement ("the Second Amended Dealer Manager Agreement"), which revised the terms of the servicing fee (which was previously referred to as a transaction charge). Pursuant to the Servicing Plan, the Company receives a servicing fee in exchange for providing certain administrative support services. With respect to each share sold, the servicing fee will be payable annually on the anniversary of the applicable month of purchase. The Company, in its discretion, may re-allow a portion of such servicing fee to participating dealers for performing certain administrative support services. The Servicing Plan will remain in effect for so long as such continuance is approved quarterly by the TIF6 board. In addition, the TIF6 board will review all payments made pursuant to the Servicing Plan at least quarterly. The Company will no longer receive the annual servicing fee upon the earlier of (i) the aggregate underwriting compensation from all sources, including selling commissions, dealer manager fees, broker-dealer fees, and servicing fees would exceed 10% of the gross proceeds in the offering, (ii) with respect to a specific share, the date that such share is redeemed or is no longer outstanding, and (iii) the date, if any, upon which a liquidity event occurs. The Company records servicing fees as commission income as they are earned.

The Company's commission income in the amount of \$1,009,937 for the year ended December 31, 2018 is earned entirely from the Funds. This amount includes \$517,021 in earned servicing fees. As of December 31, 2018, \$15,474 was due from the Funds for dealer manager fees, as reflected in commission receivable in the Statement of Financial Condition.

On April 18, 2018, TCP reimbursed the Company for legal expenses in the amount of \$53,053 paid in 2018 in connection with the Axar transaction. This reimbursement is included in the statement of operations as Other income.

Terra Capital Markets, LLC

Notes to Financial Statements

Note 6 - Fixed Assets

Fixed assets as of December 31, 2018 consisted of the following:

Furniture and fixtures (5-7 years)	\$	34,547
Computer equipment and software (3-5 years)		67,469
Leasehold improvements		<u>28,335</u>
		130,351
Less: Accumulated depreciation		<u>(122,345)</u>
Fixed assets, net	\$	<u>8,006</u>

Depreciation and amortization expense amounted to \$8,926 for the year ended December 31, 2018.

Note 7 - Concentrations of Credit Risk

The Company maintains its cash at financial institutions which at times may exceed federally insured limits of \$250,000. As of December 31, 2018, the Company exceeded federally insured limits by \$73,616.

Note 8 - Commitments and Contingencies

The Company entered into a lease agreement for its New Jersey office space through August 2019 at an average monthly rate of \$4,433 plus utilities. The expense associated with this lease for the year ended December 31, 2018, was \$52,205, which is included in Occupancy expense in the Statement of Operations.

Future Rent Obligations

2019	\$	35,460
2020		0
2020		0
2020		0
2020		0
		<u>0</u>
	\$	<u>35,460</u>

Note 9 - Net Capital Requirements

As a registered broker-dealer, the Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934 which requires the maintenance of a minimum net capital, as defined, of the greater of \$5,000 or one-fifteenth of aggregate indebtedness. As of December 31, 2018, the Company had net capital of \$210,498, which exceeded its requirement by \$198,985. Additionally, the Company must maintain a ratio of aggregate indebtedness to net capital of 15:1 or less. As of December 31, 2018, this ratio was 0.82:1.

The Company is exempt from the provisions of Rule 15c3-3 of the SEC since the Company's activities are limited to those set forth in the conditions for exemption pursuant to subsection k(2)(i) of the Rule.

Terra Capital Markets, LLC

Notes to Financial Statements

Note 10 - Income Taxes

There is no NYC UBT tax liability for the year ended December 31, 2018 as the Company is reporting a net loss.

Note 11 - Subsequent Events

For disclosure purposes in the financial statements, the Company has evaluated subsequent events through February 27, 2019, the date the financial statements were available to be issued and there are no material events that would require adjustment to, or disclosure in, the Company's financial statements.