

## **Terra Income Advisors, LLC**

805 Third Avenue  
8<sup>th</sup> Floor  
New York, New York 10022

Telephone: (212) 753-5100  
Facsimile: (212) 753-5102

**August 2014**

This brochure provides information about the qualifications and business practices of Terra Income Advisors, LLC (the “**Adviser**”). If you have any questions about the contents of this brochure, please contact us at (212) 753-5100. The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

The Adviser is an investment adviser registered with the SEC. Please note that registration does not imply a certain level of skill or training.

Additional information about the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 – Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” addressing the information required to be included in the brochure disclosure document (the “**Brochure**”) that the Adviser provides to clients as required by the rules promulgated by the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). This Brochure, dated August 2014, provides the information required by the SEC.

Currently, the Adviser’s Brochure may be requested by contacting Michael S. Cardello, Chief Compliance Officer, at (212) 753-5100 or [mcardello@tcp-us.com](mailto:mcardello@tcp-us.com).

### ITEM 3 – Table of Contents

<b><u>Item</u></b>	<b><u>Page</u></b>
ITEM 1 – Cover Page .....	1
ITEM 2 – Material Changes .....	2
ITEM 3 – Table of Contents.....	3
ITEM 4 – Advisory Business.....	4
ITEM 5 – Fees and Compensation.....	5
ITEM 6 – Performance-Based Fees and Side-by-Side Management .....	7
ITEM 7 – Types of Clients.....	7
ITEM 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	7
ITEM 9 – Disciplinary Information.....	9
ITEM 10 – Other Financial Industry Activities and Affiliations .....	9
ITEM 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
ITEM 12 – Brokerage Practices .....	11
ITEM 13 – Review of Accounts.....	12
ITEM 14 – Client Referrals and Other Compensation.....	13
ITEM 15 - Custody .....	13
ITEM 16 – Investment Discretion .....	13
ITEM 17 – Voting Client Securities.....	13
ITEM 18 – Financial Information.....	14
ITEM 19 – Requirements for State-Registered Advisers.....	14

#### ITEM 4 – Advisory Business

Terra Income Advisors, LLC was formed in April 2013 for the purpose of providing investment advisory and administrative services to a business development company and other investment funds. At present, the Adviser has a single client, Terra Income Fund 6, Inc. (the “**Company**”), a non-diversified, closed-end management investment company that has elected to be regulated as a business development company (“**BDC**”) under the Investment Company Act of 1940, as amended (the “**1940 Act**”). The Adviser may, subject to any limitations described in the investment advisory and administrative services agreement between the Adviser and the Company, advise other BDCs, investment companies, private investment funds, institutional investors or other persons or entities (collectively with the Company, the “**Clients**”), at which time the Adviser will make any necessary amendments to this Brochure.

The Adviser is responsible for identifying potential investments for its Clients. The Adviser evaluates such investments and their appropriateness based on the investment objectives and policies of its Clients, as adopted by their boards of directors, trustees or other governing bodies. If the Adviser determines that certain investments are appropriate, and the Adviser’s investment committee unanimously approves such investments, the Adviser will effectuate the investments on behalf of its respective Clients. The Adviser also has the discretion, without limitation, to determine the broker-dealer used in effecting any investment and commissions to be paid. While brokerage commissions will not generally be implicated, in determining the appropriate level of commissions, the Adviser may consider the level of products, research and services to be obtained.

The Adviser then closes, monitors and continually services any investments made. Using a security analysis methodology that includes a combination of fundamental and cyclical analysis with a consideration of, among other things, a potential investment’s credit rating, if applicable, the Adviser will determine what securities are appropriate for purchase, sale or retention by its Clients.

From time to time, the Adviser may enter into sub-advisory arrangements with registered investment advisers (each, a “**Sub-Adviser**”) that possess skills that the Adviser believes will aid it in achieving its Clients’ investment objectives. Any such Sub-Adviser may, among other things, assist the Adviser in identifying investment opportunities and make investment recommendations to the Adviser. The Adviser will be responsible for compensating any such Sub-Adviser.

The Adviser provides investment supervisory services to each of its Clients pursuant to an investment advisory and administrative services agreement. Any such agreement will automatically terminate in the event of its assignment. The investment advisory and administrative services agreement between the Adviser and the Company provides for its termination without penalty (i) by the Company upon 60 days’ written notice to the Adviser, (a) upon the vote of a majority of the outstanding voting securities of the

Company or (b) by the vote of the Company's independent directors, or (ii) by the Adviser upon 120 days' written notice to the Company.

The Adviser may offer advice to the Company and other Clients on a broad range of securities, including but not limited to, commercial real estate loans (including mezzanine loans, first and second lien mortgage loans, subordinated mortgage loans, bridge loans and other commercial real estate-related loans), preferred equity investments, select commercial real estate-related debt securities, equity securities that may be exchange listed, traded over-the-counter or issued by foreign entities, warrants, commercial paper, certificates of deposit, mutual fund shares, U.S. government securities, option contracts on securities, interests in partnerships investing in real estate, oil and gas interests, commodities, corporate loans, corporate debt securities and collateralized loans and debt obligations.

As of December 31, 2013, the Adviser managed \$0 in Client assets.

The principal owner of the Adviser is Terra Capital Partners, LLC ("**Terra Capital Partners**"), an entity controlled by Messrs. Bruce D. Batkin and Simon J. Mildé.

#### ITEM 5 – Fees and Compensation

The Adviser has no set policy regarding the calculation of fees for its services, and it will determine such fees on a Client-by-Client basis, as negotiated with each Client.

The Adviser deducts fees from the Company's assets and will deduct fees from the assets of any future Clients. With respect to the Company, the Adviser currently receives a base management fee and a two-part incentive fee. The base management fee is calculated at an annual rate of 2.0% of the Company's average gross assets. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Company's gross assets at the end of the two most recently completed calendar quarters. All or any part of the base management fee not taken as to any quarter will be deferred without interest and may be taken in such other quarter as the Adviser may determine.

The incentive fee has two parts. The first part, which is referred to as the "Subordinated Incentive Fee on Income," is calculated and payable quarterly in arrears and equals 20% of the Company's "Pre-Incentive Fee Net Investment Income" for the immediately preceding quarter. The Subordinated Incentive Fee on Income is subject to a hurdle rate, expressed as a rate of return on adjusted capital equal to 2.0% per quarter (an annualized hurdle rate of 8.0%), subject to a "catch up" feature (as described below).

For the purpose of this fee, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees, other than fees for providing managerial assistance, such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio

companies) accrued during the calendar quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses payable to the Adviser under the investment advisory and administrative services agreement and any interest expense and dividends paid on any issued and outstanding preferred shares, 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 paid-in-kind interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

The calculation of the Subordinated Incentive Fee on Income for each quarter is as follows:

- No incentive fee is payable to the Adviser in any calendar quarter in which the Company's Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 2.0% (8.0% annualized) (the "**Hurdle Rate**").
- For any calendar quarter in which the Company's Pre-Incentive Fee Net Investment Income is greater than the quarterly Hurdle Rate but is less than 2.5% (an annualized rate of 10%), the subordinated incentive fee on income will equal the amount of the Pre-Incentive Fee Net Investment Income in excess of the quarterly Hurdle Rate. This portion of the Company's Pre-Incentive Fee Net Investment Income which exceeds the Hurdle Rate but is less than 2.5% is referred to as the "catch-up." The "catch-up" provision is intended to provide the Adviser with an increasing fee, but is in no event greater than the 20.0% of the Company's Pre-Incentive Fee Net Investment Income, as the Company's Pre-Incentive Fee Net Investment Income from a 2.0% to a 2.5% quarterly return on adjusted capital.
- For any calendar quarter in which the Company's Pre-Incentive Fee Net Investment Income exceeds 2.5% of adjusted capital, the subordinated incentive fee on income will equal 20.0% of Pre-Incentive Fee Net Investment Income.

For purposes of this fee, "adjusted capital" means cumulative gross proceeds generated from sales of the Company's common stock (including the Company's distribution reinvestment plan), reduced for distributions to investors of proceeds from nonliquidating dispositions of the Company's investments and amounts paid for share repurchases pursuant to the Company's share repurchase program.

The second part of the incentive fee, referred to as the "Incentive Fee on Capital Gains," is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory and administrative services agreement). This fee equals 20.0% of the Company's "Incentive Fee Capital Gains," which equal the

Company's 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.

As the Adviser establishes other relationships it may arrange to receive fixed fees or fees paid on some other negotiated basis.

While brokerage commissions will not generally be payable by the Adviser, see Item 12 for information regarding certain trading execution costs that may be incurred by Clients of the Adviser.

#### ITEM 6 – Performance-Based Fees and Side-by-Side Management

As noted above in Item 5, the Adviser expects to receive performance-based fees. See also Item 10 below for information regarding certain potential conflicts of interest relating to the Adviser's current client, the Company, and how such potential conflicts are mitigated.

#### ITEM 7 – Types of Clients

The Adviser provides investment advice to the Company. As discussed in Item 4, the Adviser may, subject to any limitations described in the investment advisory and administrative services agreement between the Adviser and the Company, advise other BDCs, investment companies, private investment funds, institutional investors or other persons or entities.

#### ITEM 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser is responsible for evaluating potential investments for its Clients, including the Company. Any Sub-Adviser engaged by the Adviser may, among other things, assist the Adviser in identifying investment opportunities and make investment recommendations to the Adviser. The Adviser and any Sub-Adviser will review such investments and their appropriateness based on the investment objectives and policies of the Clients, as adopted by the Clients' boards of directors or other oversight bodies. If the Adviser, together with any Sub-Adviser, determines that such investments are appropriate and the Adviser's investment committee unanimously approves such investment, the Adviser, with the assistance of any Sub-Adviser, will effectuate investments on behalf of the Clients. The Adviser has the discretion, without limitation, to determine the broker-dealer used in effecting any investment and the commissions to be paid. While brokerage commissions will not generally be payable by the Adviser, in determining the appropriate level of commissions, the Adviser may consider the level of products, research and services to be obtained.

The Adviser, with the assistance of any Sub-Adviser, closes, monitors and continually services any investments made. Using a security analysis methodology that includes a combination of fundamental and cyclical analysis with a consideration of, among other things, a potential investment's credit rating, if applicable, the Adviser, with the assistance of any Sub-Adviser, determines what securities are appropriate for purchase, sale or retention by its Clients. The Adviser, with the assistance of any Sub-Adviser, will rely on financial newspapers, magazines and trade journals, inspections of corporate activities, research material, annual reports and other filings with the SEC, company press releases and detailed management interviews, corporate rating services and other third-party data collection in offering advice on investing. The Adviser and any Sub-Adviser may offer advice to the Company and other Clients on a broad range of securities, including but not limited to, commercial real estate loans (including mezzanine loans, first and second lien mortgage loans, subordinated mortgage loans, bridge loans and other commercial real estate-related loans), preferred equity investments, select commercial real estate-related debt securities, equity securities that may be exchange listed, traded over-the-counter or issued by foreign entities, warrants, derivatives, structured products, commercial paper, certificates of deposit, convertible debt securities, mutual fund shares, U.S. government securities, option contracts on securities, interests in partnerships investing in real estate, oil and gas interests, commodities, corporate loans, corporate debt securities and collateralized loans and debt obligations. In addition, the Adviser and any Sub-Adviser may offer advice on the investment in other BDC securities. The Adviser utilizes various investment strategies, including, among others, leverage, both long and short-term purchases and hedging techniques when appropriate.

Investing in securities involves a risk of loss that Clients must be prepared to bear. Investments of the type that the Adviser recommends are subject to financial market risks, including changes in interest rates, which may have a substantial negative impact on the value of Clients' investments. In addition, since the Adviser primarily recommends investments in commercial real estate loans (including mezzanine loans, first and second lien mortgage loans, subordinated mortgage loans, bridge loans and other commercial real estate-related loans), preferred equity investments and select commercial real estate-related debt securities, such investments are subject to specific risks relating to the type of security held, the issuer of such security and various other risks. Further, investments recommended by the Adviser may have limited or no liquidity. The Adviser may also recommend that Clients borrow funds to make investments. As a result, such Clients would be exposed to the risks of borrowing, also known as leverage. Leverage increases the volatility of investments by magnifying the potential for gain and loss on amounts invested.



## ITEM 9 – Disciplinary Information

The Adviser has not been involved in any disciplinary actions or legal or administrative proceedings related to its business activities.

## ITEM 10 – Other Financial Industry Activities and Affiliations

The Adviser is affiliated with Terra Capital Markets, LLC (“**TCM**”), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc. (“**FINRA**”). TCM acts as the dealer manager for the distribution of the shares of common stock of the Company and is owned and controlled by Mr. Batkin and Richbell V LLC, an entity wholly owned and controlled by Mr. Mildé.

The Adviser is also affiliated with several private offerings (also managed by Terra Capital Partners) – Terra Secured Income Fund, LLC, Terra Secured Income Fund 2, LLC, Terra Secured Income Fund 3, LLC, Terra Secured Income Fund 4, LLC and Terra Secured Income Fund 5, LLC, all Delaware limited liability companies, and Terra Secured Income Fund 5 International, a Cayman Islands exempted company (collectively, the “**Terra Income Funds**”).

Conflicts of interest with the Adviser’s current Client, the Company, related to these relationships include, among possible others, the following:

- The directors, officers and other personnel of the Adviser allocate their time between advising the Company and managing other investment activities and business activities in which they may be involved, including managing and operating Terra Capital Partners and the Terra Income Funds;
- The compensation payable by the Company to the Adviser and other affiliates will be approved by the Company’s board of directors consistent with the exercise of the requisite standard of care applicable to directors under Maryland law and the Company’s charter and bylaws. Such compensation is payable, in most cases, whether or not the Company’s stockholders receive distributions;
- The Company may compete with certain affiliates for investments, including Terra Capital Partners and the Terra Income Funds, subjecting the Adviser and its affiliates to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions on the Company’s behalf;
- Regardless of the quality of the assets acquired, the services provided to the Company or whether the Company makes distributions to its stockholders, the Adviser will receive base management fees in connection with the management of the Company’s portfolio;

- Because the Company's dealer manager, TCM, is an affiliate of the Adviser, its due diligence review and investigation of the Company and its offering prospectus cannot be considered to be an independent review;
- From time to time, to the extent consistent with the Investment Company Act of 1940 (the "**1940 Act**") and the rules and regulations promulgated thereunder, the Company and other Clients for which the Adviser provides investment management services or carries on investment activities may make investments at different levels of an investment entity's capital structure or otherwise in different classes of an issuer's securities. These investments may give rise to inherent conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by the Company and such other Clients;
- The Adviser and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may compete with the Company and may involve substantial time and resources of the Adviser; and
- The Company may seek to engage in co-investment or other affiliated transactions with the Adviser and its affiliates, including the Terra Income Funds. Any of these co-investment opportunities may give rise to conflicts of interest or perceived conflicts of interest among the Company and the other participating accounts.

To mitigate these conflicts, the Adviser will seek to execute such transactions for all of the participating investment accounts, including the Company, on a fair and equitable basis and in accordance with their respective allocation policies, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Company, the Clients for which participation is appropriate and any other factors deemed appropriate.

Further, as discussed above, the Adviser, its personnel and certain affiliates may experience conflicts of interest in allocating management time, services and functions among the Company and any other business ventures in which they or any of their key personnel, as applicable, are or may become involved. This could result in actions that are more favorable to other affiliated entities than to the Company. However, the Adviser believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to all activities in which they are involved.

## ITEM 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser or will adopt a code of ethics pursuant to Rule 204A-1 of the Advisers Act that establishes procedures governing the conduct and securities transactions of each of the Adviser's officers, employees and supervised persons. The "Code of Ethics" (the "**Code**") is designed to prevent violations of the fiduciary responsibilities owed by the Adviser to its Clients, including the Company. It contains provisions relating to the confidentiality of firm information, a prohibition on insider trading, a discussion of media relations, a policy on gifts and personal securities trading procedures, among other things. All supervised persons of the Adviser are required to acknowledge the terms of the Code annually and when it is amended.

The Code is designed to ensure that the personal securities transactions, activities and interests of the officers, employees and supervised persons of the Adviser will not interfere with (i) making decisions in the best interest of its advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, the Code requires pre-clearance of certain transactions. Employee trading is monitored under the Code to reasonably prevent conflicts of interest between the Adviser and its Clients.

The Adviser's Clients or prospective Clients may request a copy of the Code by contacting the Chief Compliance Officer, Terra Income Advisors, LLC, 805 Third Avenue, 8<sup>th</sup> Floor, New York, New York 10022.

As discussed in Item 10 above, conflicts of interest may arise from time to time as a result of the Adviser's relationships with its affiliates. For more information on the conflicts that may arise and how they will be addressed, see Item 10.

## ITEM 12 – Brokerage Practices

The assets that the Adviser obtains for its Clients are, generally, acquired and disposed of in privately negotiated transactions effectuated through a dealer network in which the dealer acts as principal and does not charge explicit commissions. As a result, the Adviser has not entered into any soft dollar arrangements. When appropriate, the Adviser is primarily responsible for the execution of the publicly-traded securities portion of a Client's portfolio transactions and the allocation of brokerage commissions. The Adviser may discharge this responsibility through one or more Sub-Advisers. The Adviser and any Sub-Adviser it may engage will not execute transactions through any particular broker or dealer, but will seek to obtain the best net results for the Adviser's Clients, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While the Adviser or any Sub-Adviser it may engage will generally seek reasonably competitive trading execution costs, the Adviser's Clients will not necessarily pay the

lowest spread or commission available. Subject to applicable legal requirements, the Adviser and/or such Sub-Adviser may select a broker based partly upon brokerage or research services provided to the Adviser, the Sub-Adviser or any of their respective Clients. If the Adviser or Sub-Adviser uses brokerage commission to obtain research or other products or services, the Adviser or Sub-Adviser, as applicable, will receive a benefit because it will not have to produce or pay for the research, products or services. As a result, the Adviser or Sub-Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the Adviser's Clients' interest in receiving most favorable execution. In return for such services, Clients may pay higher commissions than other broker-dealers would charge if the Adviser or Sub-Adviser determines in good faith that such commission is reasonable in relation to the services provided.

### ITEM 13 – Review of Accounts

The Adviser, with the assistance of any Sub-Adviser it may engage, manages active portfolios for its Clients. These portfolios are reviewed daily by the Adviser and Sub-Adviser to consider, among other things, their composition, performance and compliance with applicable legal requirements. The supervised persons who conduct the review are Simon J. Mildé and Bruce D. Batkin. These individuals are the Adviser's Chairman of the Board of Managers and Chief Executive Officer, respectively.

In addition, with respect to the Company's portfolio, the assets are valued and reviewed on a quarterly basis by the Company's Valuation Committee. Under the 1940 Act, the Company is required to carry any portfolio assets at market value or, if there is no readily available market value, at fair value as determined in good faith by the Company's board of directors.

Certain factors that may be considered in determining the fair value of the Adviser's investments for its Clients include dealer quotes for securities traded on the secondary market for institutional investors, the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to publicly-traded companies, discounted cash flow analysis and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, the Company's determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed.

#### ITEM 14 – Client Referrals and Other Compensation

The Adviser does not retain consultants or other parties to solicit Clients on its behalf.

#### ITEM 15 - Custody

The Adviser does not custody assets and requires its Clients to provide their own qualified custodians.

#### ITEM 16 – Investment Discretion

The Adviser has full discretion to invest on behalf of its Clients; provided that the Adviser will evaluate all investments and their appropriateness based on the investment objectives and policies of its Clients.

#### ITEM 17 – Voting Client Securities

The Adviser may recommend investments in equity securities. The Adviser recognizes that, as an investment adviser registered under the Advisers Act, the Adviser has a fiduciary duty to act solely in the best interests of its Clients. As part of this duty, the Adviser will adopt proxy voting policies and procedures. The Adviser recognizes that it must vote Client securities in a timely manner free of conflicts of interest and in the best interests of its Clients.

Under the proxy voting policies and procedures, the Adviser will vote proxies related to portfolio securities in the best interest of its Client's stockholders. The Adviser will review, on a case-by-case basis, each proposal submitted for a stockholder vote to determine its impact on the portfolio securities held by the Adviser's Clients. Although the Adviser will generally vote against those proposals that would have a negative impact on its Client's portfolio securities, the Adviser may vote for such a proposal if there exists compelling long-term reasons to do so.

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

Additional information about how the Adviser votes any proxies can be obtained by making a written request for proxy voting information to: Chief Compliance Officer, Terra Income Advisors, LLC, 805 Third Avenue, 8<sup>th</sup> Floor, New York, New York 10022.

#### ITEM 18 – Financial Information

The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its Clients, and has not been the subject of a bankruptcy proceeding.

#### ITEM 19 – Requirements for State-Registered Advisers

Not applicable.