ALTURAS
REAL ESTATE FUND

Consolidated Financial Statements | December 31, 2022 and 2021

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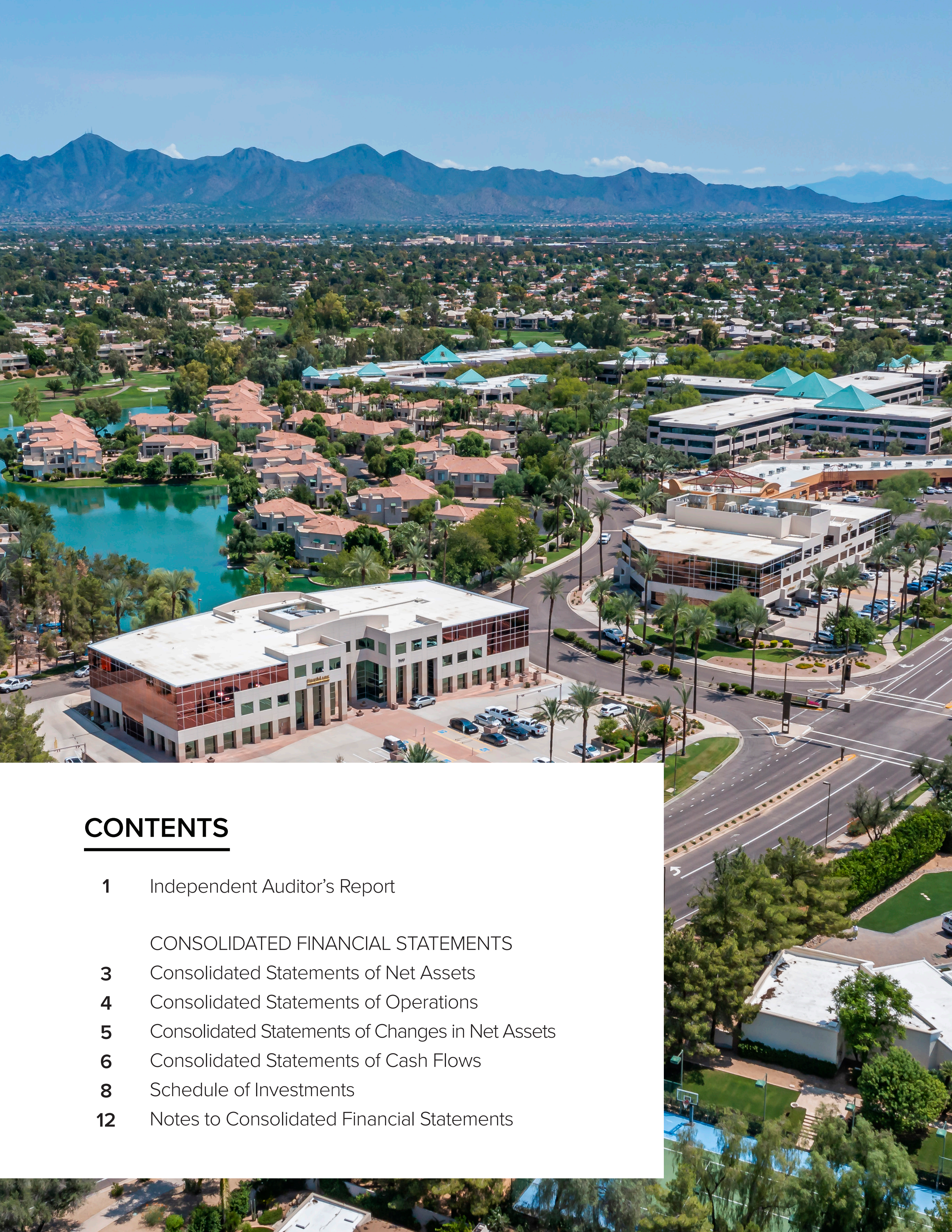

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Members
Alturas Real Estate Fund, LLC
Boise Idaho

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Alturas Real Estate Fund LLC, which comprise the consolidated statements of net assets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the consolidated schedules of investments as of December 31, 2022 and 2021 and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alturas Real Estate Fund LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Alturas Real Estate Fund LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alturas Real Estate Fund LLC's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alturas Real Estate Fund LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alturas Real Estate Fund LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control–related matters that we identified during the audits.

Eide Bailly LLP

Denver, Colorado
April 26, 2023

CONSOLIDATED STATEMENTS OF NET ASSETS

December 31, 2022 and 2021

	2022	2021
	(US$ in thousands)	
ASSETS:		
Real estate investments - at fair value:		
Real estate and improvements (cost of $476,243 and $402,887)	$ 496,891	$ 415,211
Unconsolidated real estate investments (cost of $307 and $307)	307	307
Loans receivable (cost of $4,034 and $2,604)	4,034	2,604
Cash	13,111	14,755
Restricted cash	4,856	2,956
Accrued investment income	361	123
Prepaid expenses and other assets	2,377	3,245
Total Assets	**$ 521,937**	**$ 439,201**
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Mortgage loans and notes payable (less unamortized debt issuance costs of $4,381 and $4,114)	$ 314,604	$ 278,396
Members subscription payable and temporary notes	19,507	51,009
Member notes payable	2,696	4,309
Revolving line of credits	0	4,000
Accrued real estate expenses and taxes	7,152	6,246
Accrued incentive fees	789	584
Accrued expenses - related party	1,774	1,169
Member distributions payable	1,513	951
Other liabilities	11,020	6,967
Total Liabilities	**359,055**	**353,631**
Commitments and Contingencies (Note 5)		
NET ASSETS:		
Alturas Real Estate Fund LLC net assets	148,377	76,291
Noncontrolling interests	14,505	9,279
Net Assets	**$ 162,882**	**$ 85,570**

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2022 and 2021

	2022	2021
	(US$ in thousands)	
INVESTMENT INCOME:		
Revenue from real estate	$ 58,865	$ 37,389
Interest income on loans receivable	752	464
Total Revenues	**59,617**	**38,303**
EXPENSES:		
Real estate expenses and taxes	20,461	12,122
Interest expense	15,398	10,026
Administrative expenses	2,019	1,561
Investment management fees	2,114	1,301
Total Expenses	**39,992**	**25,010**
Net Investment Income	**19,625**	**13,293**
Net Realized and Unrealized Gain:		
Net realized gain from sale of real estate investments	312	1,954
Net unrealized gain on fair value of real estate investments	8,328	4,628
Net realized and unrealized gain	**8,640**	**6,582**
Increase in Net Assets Resulting from Operations	**28,265**	**19,875**
Less: Portion Attributable to Noncontrolling Interests	(3,229)	(1,491)
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account	**25,036**	**18,384**
Amounts Attributable to Alturas Real Estate Fund LLC Account		
Net Investment Income	17,899	12,017
Net Realized and Unrealized Gain	7,137	6,367
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account	**$ 25,036**	**$ 18,384**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2022 and 2021

	Sponsor/ Managing Member	Investor Members	Noncontrolling Interest	Total
		(US$ in thousands)		
Net Assets - December 31 - 2020	**$ 3,172**	**$ 42,576**	**$ 6,521**	**$ 52,269**
From Operations:				
Net investment income	153	11,864	1,276	13,293
Net realized and unrealized gain	77	6,290	215	6,582
Increase in net assets resulting from operations	230	18,154	1,491	19,875
From Capital Transactions:				
Contributions	-	25,916	2,262	28,178
Distributions	(2,857)	(10,900)	(995)	(14,752)
Increase in net assets resulting from capital transactions	(2,857)	15,016	1,267	13,426
Incentive allocation to managing member	4,245	(4,245)	-	-
Increase in Net Assets	1,618	28,925	2,758	33,301
Net Assets - December 31, 2021	**$ 4,790**	**$ 71,501**	**$ 9,279**	**$ 85,570**
From Operations:				
Net investment income	109	17,788	1,728	19,625
Net realized and unrealized gain	56	7,083	1,501	8,640
Increase in net assets resulting from operations	165	24,871	3,229	28,265
From Capital Transactions:				
Contributions	-	66,385	5,013	71,398
Distributions	(4,243)	(15,092)	(3,016)	(22,351)
Increase in net assets resulting from capital transactions	(4,243)	51,293	1,997	49,047
Incentive allocation to managing member	5,031	(5,031)	-	-
Increase in Net Assets	953	71,133	5,226	77,312
Net Assets - December 31, 2022	**$ 5,743**	**$ 142,634**	**$ 14,505**	**$ 162,882**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2022 and 2021

	2022	2021
	(US$ in thousands)	
Cash Flows From Operating Activities:		
Net increase in net assets resulting from operations	$ 28,265	$ 19,875
Adjustments to reconcile net assets resulting from operations to net cash flows from operating activities:		
Gain on sale of real estate investments	(312)	(1,954)
Unrealized gain on fair value of real estate investments	(8,328)	(4,628)
Interest expense attributable to amortization of debt issuance costs	780	488
Earnings from equity method real estate investments	(16)	(15)
Change in assets and liabilities:		
Accrued investment income	1,432	697
Prepaid expenses and other assets	868	(2,040)
Accrued real estate expenses and taxes	906	4,589
Accrued incentive fees	205	105
Accrued expenses - related party	605	607
Other liabilities	4,053	4,385
Net cash flow provided by operating activities	**28,458**	**22,109**
Cash Flows From Investing Activities:		
Capital expenditures and real estate investments	(38,749)	(68,019)
Proceeds from the sale of real estate investments	13,314	5,817
Equity method real estate investments	16	7
Funding of loans receivable	(5,343)	(5,377)
Principal payments received on loans receivable	3,913	4,758
Net cash flow (used for) investing activities	**(26,849)**	**(62,814)**
Cash Flows From Financing Activities:		
Proceeds from mortgage loans and notes payable	1,807	2,811
Principal payments on mortgage loans and notes payable	(12,937)	(4,742)
Payment of debt issuance costs	(1,047)	(3,268)
Proceeds from revolving line of credits	15,999	14,675
Payments on revolving line of credits	(19,999)	(10,175)
Proceeds from members subscriptions	23,705	52,803
Proceeds from issuance of member notes	(2,102)	6,460
Repayment of member notes	(877)	(1,212)
Contributions from members	687	-
Contributions from non-controlling interests	5,013	2,262
Distributions to members	(8,586)	(6,797)
Distributions to non-controlling interests	(3,016)	(995)
Net cash flow provided by financing activities	**(1,353)**	**51,822**
Net Change in Cash and Restricted Cash	256	11,117
Cash, and Restricted Cash, Beginning of Year	17,711	6,594
Cash, and Restricted Cash, End of Year	**$ 17,967**	**$ 17,711**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)

Years ended December 31, 2022 and 2021

		2022		2021
		(US$ in thousands)		
Supplemental Disclosure of Cash Flow Information				
Cash payments for interest	$	14,373	$	10,334
Supplemental Disclosure of Non-cash Investing and Financing Activities				
Mortgage loans and notes payable refinanced	$	4,693	$	7,914
Real estate investments acquired through mortgage loans and notes payable	$	47,605	$	169,708
Reinvested distributions	$	10,187	$	7,106
Member distributions recorded as a payable	$	1,513	$	951
Member contributions through subscriptions payable	$	53,513	$	11,996
Member contributions through conversion of a member note	$	2,000	$	7,150
Member contributions through reinvested member note interest	$	1,591	$	708
Reinvested revolving line of credit interest	$	-	$	7
Reinvested member note interest	$	79	$	56

SCHEDULE OF INVESTMENTS

December 31, 2022 and 2021

Investment	Ownership	City, State	FT² Unless Otherwise Indicated (Unaudited)	December 31, 2022 Cost Basis	December 31, 2022 Fair Value	December 31, 2021 Cost Basis	December 31, 2021 Fair Value
					(US$ in thousands)		
Real Estate and Improvements and Unconsolidated Real Estate Investments							
Retail							
Eagle Marketplace	CI - 100.00%	Eagle, Idaho	73,697	$ 10,210	$ 15,634	$ 10,142	$ 15,114
Mission Village	CI - 95.50%	Wenatchee, Washington	32,987	5,414	5,580	5,251	5,274
Adelmann Building	CI - 90.44%	Boise, Idaho	16,277	2,316	3,210	2,267	2,566
Parkway Plaza	CI - 91.73%	Idaho Falls, Idaho	56,274	3,999	6,533	3,842	5,083
Eagle Island	CI - 81.10%	Meridian, Idaho	10,204	3,333	3,962	3,270	3,900
Decker Lake	CI - 97.58%	Salt Lake City, Utah	52,387	7,739	9,194	7,556	9,011
Sandcreek Plaza	CI - 100.00%	Idaho Falls, Idaho	35,903	3,613	4,047	3,568	4,003
Shops at 38th	CI - 50.00%	Phoenix, Arizona	23,021	6,204	6,684	6,171	6,171
1680 Westland	CI - 77.43%	Boise, Idaho	3,881	940	1,213	935	1,208
Metro Towne Center	CI - 81.73%	Phoenix, Arizona	136,592	29,998	32,129	29,889	29,889
Carefree	CI - 100.00%	Colorado Springs, Colorado	137,896	15,745	15,745	-	-
T5 Ontario	CI - 60.00%	Ontario, Oregon	1,400	1,416	1,416	-	-
Tuscon Fiesta	CI - 78.75%	Tucson, Arizona	93,005	14,690	14,690	-	-
T5 Glenwood	CI - 60.00%	Garden City, Idaho	1,400	774	774	-	-
Star Development	CI - 50.10%	Star, Idaho	3,940	582	582	-	-
T5 Caldwell	CI - 60.00%	Caldwell, Idaho	1,400	1,135	1,135	-	-
T5 Ten Mile	CI - 60.00%	Meridian, Idaho	1,400	468	468	-	-
Retail Total				$ 108,576	$ 122,996	$ 72,891	$ 82,219
% of Total Real Estate Investments				*22.60%*	*24.54%*	*17.96%*	*19.66%*
Industrial							
Westpark	CI - 80.00%	Boise, Idaho	117,510	$ 6,983	$ 8,479	$ 6,981	$ 8,478
Mountain Home	CI - 66.70%	Mountain Home, Idaho	30,478	1,424	1,424	1,424	1,424
5617 Cleveland Blvd.	CI - 92.51%	Caldwell, Idaho	28,360	3,616	3,616	3,569	3,569
Industrial Total				$ 12,023	$ 13,519	$ 11,974	$ 13,471
% of Total Real Estate Investments				*2.50%*	*2.70%*	*2.95%*	*3.22%*

CI - Consolidated Real Estate Investment

SCHEDULE OF INVESTMENTS (CONT.)

December 31, 2022 and 2021

Investment	Ownership	City, State	FT² Unless Otherwise Indicated (Unaudited)	December 31, 2022 Cost Basis	December 31, 2022 Fair Value	December 31, 2021 Cost Basis	December 31, 2021 Fair Value
				(US$ in thousands)			
Office							
1444 Entertainment	CI - 95.02%	Boise, Idaho	78,573	$ 14,303	$ 14,582	$ 13,182	$ 12,984
110 Main	EMI - 40.00%	Boise, Idaho	6,420	307	307	307	307
Siete I	CI - 81.00%	Phoenix, Arizona	57,933	9,678	10,046	9,050	8,969
The Ashby on Osborn	CI - 86.79%	Phoenix, Arizona	89,168	14,741	13,033	13,556	12,317
Cottonwood Plaza	CI - 100.00%	Boise, Idaho	43,142	4,836	6,231	4,720	5,146
Siete II	CI - 90.00%	Phoenix, Arizona	53,936	6,970	7,369	6,686	7,086
7733 Emerald	CI - 57.00%	Boise, Idaho	4,424	583	531	576	611
Presidio	CI - 98.28%	Colorado Springs, Colorado	81,222	13,527	15,513	13,433	14,887
4200 Hawthorne	CI - 50.10%	Pocatello, Idaho	78,225	-	-	11,642	10,557
North Creek	CI - 99.36%	Colorado Springs, Colorado	326,607	48,882	48,882	46,944	46,944
Orchard Pointe	CI - 100.00%	Greenwood Village, Colorado	120,416	22,679	22,679	21,209	21,209
Space Center & Newport	CI - 100.00%	Colorado Springs, Colorado	162,946	26,887	26,887	25,938	25,937
Stanford I	CI - 100.00%	Denver, Colorado	273,963	50,583	50,583	47,525	47,525
5709 Sunset	CI - 100.00%	Spokane, Washington	39,605	4,931	4,931	4,854	4,854
6455 Yosemite	CI - 100.00%	Greenwood Village, Colorado	199,043	29,217	26,457	28,049	28,049
Gainey Ranch	CI - 80.42%	Scottsdale, Arizona	127,064	34,816	34,816	-	-
Total Office				$ 282,940	$ 282,847	$ 247,671	$ 247,382
% of Total Real Estate Investments				*58.88%*	*56.43%*	*61.04%*	*59.17%*

CI - Consolidated Real Estate Investment
EMI - Equity Method Real Estate Investment

SCHEDULE OF INVESTMENTS (CONT.)

December 31, 2022 and 2021

Investment	Ownership	City, State	FT² Unless Otherwise Indicated (Unaudited)	December 31, 2022 Cost Basis	December 31, 2022 Fair Value	December 31, 2021 Cost Basis	December 31, 2021 Fair Value
				(US$ in thousands)			
Flex*							
1550 Tech Lane	CI - 100.00%	Boise, Idaho	105,438	$ 8,677	$ 9,927	$ 8,709	$ 9,672
Centennial Tech Center	CI - 100.00%	Colorado Springs, Colorado	110,405	15,613	15,613	15,422	15,422
Airport Center	CI - 80.63%	Chandler, Arizona	94,545	17,140	17,966	17,043	17,868
IGC	CI - 100.00%	Spokane, Washington	74,086	8,096	10,379	7,221	7,221
Garden Gateway	CI - 100.00%	Colorado Springs, Colorado	115,052	13,785	14,251	12,884	12,884
Total Flex				$ 63,311	$ 68,136	$ 61,279	$ 63,067
% of Total Real Estate Investments				*13.17%*	*13.59%*	*15.10%*	*15.08%*
Senior Housing							
Brightstar Eagle Road	CI - 78.38%	Boise, Idaho	5,890	$ 665	$ 665	$ 274	$ 274
Brightstar Meridian Road	CI - 74.57%	Meridian, Idaho	5,778	439	439	298	298
Brightstar-Overland	CI - 81.42%	Meridian, Idaho	5,812	399	399	-	-
Total Senior Housing				$ 1,503	$ 1,503	$ 572	$ 572
% of Total Real Estate Investments				*0.31%*	*0.30%*	*0.13%*	*0.15%*
Residential							
Chinden & Midland	CI - 100.00%	Caldwell, Idaho	N/A	$ 7,427	$ 7,427	$ 7,240	$ 7,240
Total Residential				$ 7,427	$7,427	$ 7,240	$ 7,240
% of Total Real Estate Investments				*1.55%*	*1.48%*	*1.78%*	*1.73%*
Multi-Family							
Ustick	CI - 100.00%	Meridian, Idaho	N/A	$ 770	$ 770	$ 1,567	$ 1,567
Total Multi-Family				$ 770	$ 770	$ 1,567	$ 1,567
% of Total Real Estate Investments				*0.16%*	*0.15%*	*0.39%*	*0.37%*
Total Real Estate and Improvements and Unconsolidated Real Estate Investments				**$ 476,550**	**$ 497,198**	**$ 403,194**	**$ 415,518**
% of Total Real Estate Investments				*99.16%*	*99.20%*	*99.35%*	*99.38%*

CI - Consolidated Real Estate Investment

SCHEDULE OF INVESTMENTS (CONT.)

December 31, 2022 and 2021

Investment	Ownership	City, State	FT² Unless Otherwise Indicated (Unaudited)	December 31, 2022 Cost Basis	December 31, 2022 Fair Value	December 31, 2021 Cost Basis	December 31, 2021 Fair Value
				(US$ in thousands)			
Loans Receivable							
Loans to Affiliate**	Loan		60 Units	$ 4,034	$ 4,034	$ 2,604	$ 2,604
Total Loans Receivable				**$ 4,034**	**$ 4,034**	**$ 2,604**	**$ 2,604**
% of Total Real Estate Investments				*0.84%*	*0.80%*	*0.65%*	*0.62%*
Total Real Estate Investments				**$ 480,584**	**$ 501,232**	**$ 405,798**	**$ 418,122**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS

Alturas Real Estate Fund, (the “Fund” or the “Company”), was formed pursuant to an Operating Agreement (“Agreement”) April 6, 2015. Inception of operations began on May 29, 2015, when the first investor contribution was received. The Fund was formed for the purpose of acquiring, developing, managing, and selling investment properties. The Fund is managed by Alturas Capital Partners, LLC (“Manager”) pursuant to the Alturas Real Estate Fund LLC Operating Agreement. The Fund focuses on value-add, core plus, and development real estate investments. The Fund targets middle-market properties throughout the Inland Northwest and Intermountain West regions of the country.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and should be read in conjunction with the operating agreement of the Fund which is organized as a Delaware limited liability company. The Fund is an investment company and follows the accounting and reporting guidance in the Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) Topic 946, Financial Services – Investment Companies.

The consolidated financial statements represent the consolidation of the Fund and its Subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements include the accounts and transactions for the following entities:

Entities Legal Name	Properties Name
110 Main LLC	110 Main
Alturas Eagle Marketplace, LLC	Eagle Marketplace
Alturas Westpark, LLC	Westpark
Alturas Mission Village, LLC	Mission Village
Alturas 1444 Entertainment, LLC	1444 Entertainment
Alturas Siete I, LLC	Siete I
Alturas Adelmann, LLC	Adelmann Building
Alturas 1550 Tech Lane, LLC	1550 Tech Lane
Alturas Parkway Plaza, LLC	Parkway Plaza
Alturas Country Club Manor, LLC	The Ashby on Osborn
Alturas Cottonwood Plaza, LLC	Cottonwood Plaza
Alturas Eagle Island, LLC	Eagle Island
Alturas Siete II, LLC	Siete II
Alturas Decker Lake, LLC	Decker Lake
4200 Hawthorne, LLC	4200 Hawthorne
7733 Emerald, LLC	7733 Emerald
Alturas Presidio, LLC	Presidio
2206 Whitley, LLC	2206 Whitley
Alturas Sandcreek, LLC	Sandcreek Plaza
Alturas Mountain Home, LLC	Mountain Home
Alturas Centennial Tech Center, LLC	Centennial Tech Center
297 Wycoff, LLC	297 Wycoff
Alturas Shops at 38th, LLC	Shops at 38th
Alturas Airport Center, LLC	Airport Center
Alturas IGC, LLC	IGC
Alturas Northcreek, LLC	North Creek
Alturas Garden Gateway, LLC	Garden Gateway
Alturas Sunset, LLC	5709 Sunset
Alturas 1680 Westland, LLC	1680 Westland
Alturas Ustick, LLC	Ustick
Alturas Yosemite, LLC	6455 Yosemite
Alturas Stanford, LLC	Stanford I
Alturas SE Chinden & Midland, LLC	Chinden & Midland
Alturas 5617 Cleveland, LLC	5617 Cleveland Blvd

Entities Legal Name	Properties Name
Brightstar Meridian Road, LLC	Brightstar Meridian Road
Brightstar Eagle Road, LLC	Brightstar Eagle Road
Alturas Space Center & Newport, LLC	Space Center & Newport
Alturas Orchard Pointe, LLC	Orchard Pointe
Alturas Metro Towne Center, LLC	Metro Towne Center
Alturas Carefree, LLC	Carefree
T5 Ontario RE, LLC	T5 Ontario
Alturas Tucson Fiesta, LLC	Tucson Fiesta
T5 Glenwood RE, LLC	T5 Glenwood
Alturas CCP Star, LLC	Star Development
T5 Caldwell RE, LLC	T5 Caldwell
T5 Ten Mile RE, LLC	T5 Ten Mile
Alturas Gainey Ranch LLC	Gainey Ranch
Brightstar Overland LLC	Brightstar – Overland

Variable Interest Entities

Variable Interest Entities ("VIEs") are defined as entities in which equity investors (i) do not have the characteristics of a controlling financial interest, and/or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The entity that consolidates a VIE is known as its primary beneficiary and is generally the entity with (i) the power to direct the activities that most significantly impact the VIE's economic performance, and (ii) the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE.

110 Main LLC is a real estate investment of which the Fund owns 40% and an outside party owns the remaining 60%. Management determined that 110 Main LLC is a VIE given certain debt guarantees which have been made by the Fund as well as various other parties. The Fund does not have the power to direct the activities that most significantly impact 110 Main LLC's economic performance; therefore, the Fund is not the primary beneficiary of the entity. As such, 110 Main LLC is reported under the equity method in the accompanying consolidated financial statements (see Note 5 for further information).

Noncontrolling Interests

Accounting Standards Codification ("ASC") 810-10 requires that noncontrolling interests in the Fund's consolidated subsidiaries be reclassified to net assets and that the net increase or decrease in net asset value from operations be adjusted to include amounts attributable to noncontrolling interests.

Additionally, losses attributable to the noncontrolling interest in a subsidiary may exceed their interests in the subsidiary's equity. Therefore, the noncontrolling interest shall continue to be allocated their share of losses even if that allocation results in a deficit noncontrolling interest balance.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

The real estate and capital markets are cyclical in nature. Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates, and interest and inflation rates. As a result, determining real estate and investment values involves many assumptions. Amounts ultimately realized from each investment may vary significantly from the fair values presented.

Investments in Real Estate and Improvements

Investments in properties are carried at fair value (see Note 3 for further information). Properties owned are initially recorded at cost (i.e., the purchase price plus closing costs). Development costs (including interest incurred to finance development and construction costs) and major renovations are capitalized as a component of cost. Once an asset is placed into service, routine maintenance and repairs are charged to expense as incurred.

Loans Receivable

Loans receivable are recorded at fair value (see Note 3 for further information). Loan acquisition and loan origination costs are capitalized as a component of cost.

Cash

As of December 31, 2022 and 2021 cash consists of deposits held at financial institutions. The Fund invests its cash primarily in deposits with commercial banks. At times, cash balances held at one or more banks and financial institutions may exceed federally insured amounts. The Fund believes it mitigates credit risk by depositing cash in multiple, major financial institutions.

Restricted Cash

Amounts classified as restricted represent cash held in escrow for tax, insurance, and other fees and expenses related to operating the Fund's properties, as well as tenant security deposits. The following table provides a reconciliation of cash and restricted cash to amounts shown in the statement of cash flows:

	2022		2021	
	(US$ in Thousands)			
Cash	$	13,111	$	14,755
Restricted Cash		4,856		2,956
Total Cash and Restricted Cash	**$**	**17,967**	**$**	**17,711**

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method. Debt issuance costs are included within Mortgage Loans and Notes Payable on the accompanying Consolidated Statements of Net Assets. Amortization of debt issuance costs is included in Interest Expense in the accompanying Consolidated Statements of Operations.

Interest Rate Swaps

The Fund manages exposure to changes in market interest rates through the use of derivative instruments. The Fund's use of derivative instruments is limited to fixed for floating rate interest swap agreements. In accordance with ASC 815-10, "Derivatives and Hedging," the Fund utilized the private company alternative and recognized all derivative financial instruments in its financial statements at settlement value, as the derivative instruments are not entered into for trading or speculative purposes. Derivative financial instruments are included within Mortgage Loans and Notes Payable and Accrued Real Estate Expenses and Taxes on the accompanying Consolidated Statements of Net Assets.

Revenue Recognition

The Fund leases real estate to qualified tenants. All leases with tenants are classified as operating leases. Minimum rents are recognized when earned over the lease term. Prepaid rental payments are recognized as a liability and are allocated to income when earned.

Tenant reimbursements for common area maintenance and other recoverable costs are recognized in the period assessed. Lease termination fees are recognized when the related leases are cancelled early, and the Fund has no continuing obligation to provide services to such former tenants.

For tenant revenues in which collectability of substantially all of the tenant revenue is not considered probable, it is recognized on a cash basis and all previously recognized tenant account receivables are fully reserved in the period in which the tenant revenue is determined not to be probable of collection.

Interest income is accrued as earned in accordance with the contractual terms of the corresponding loan agreements.

Income Taxes

The Fund is taxed as a partnership under the Internal Revenue Code. In lieu of federal income taxes, the members of the LLC

are taxed on their proportionate share of the LLC's taxable income. Therefore, no provision or liability for federal income taxes related to the Fund has been included in these consolidated financial statements.
The Fund evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. There were no unrecognized tax benefits as of December 31, 2022 and 2021.

Net Realized and Unrealized Gain and Losses

Realized gains are reported upon the sale of the investment in accordance with ASC 610-20. Unrealized gains and losses on fair value of real estate investments includes the previously recorded gains and/or losses as shown below:

	2022	2021
	(US$ in Thousands)	
Net current year unrealized gain on fair value of real estate investments	8,467	6,269
Less: previously recognized unrealized gains on properties sold during the year	(139)	(1,641)
Net unrealized gain	**$ 8,328**	**$ 4,628**

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Updates (ASU) 2016-02, Leases (Topic 842). ASU 2016-02 establishes a right-of-use model for lessee accounting which results in the recognition of most leased assets and lease liabilities on the balance sheet of the lessee. Lessor accounting was not significantly changed. The ASU is effective for annual periods beginning after December 15, 2021 by applying a modified retrospective approach. The Fund adopted ASU 2016-02 for the year ended December 31, 2022 and elected the practical expedient. Under the expedient the Fund combined the lease and non-lease components (tenant reimbursement revenue) and accounted for the combined components under ASU 2016-02. The Fund did not record any adjustment to the current or prior period as a result of the adoption of this standard.

NOTE 3 - FAIR VALUE MEASUREMENTS

ASC 820 establishes a fair value measurement framework, provides a single definition of fair value, and requires expanded disclosure summarizing fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability.

The standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Fund. Unobservable inputs are inputs that reflect the Fund's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is measured in three levels based on the reliability of inputs:

Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustment and block discounts are not applied to Level 1 instruments.

Level 2 — Valuations based on quoted prices in less active, dealer, or broker markets. Fair values are primarily obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 — Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and not based on market, exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present information about the Fund's assets measured at fair value as of December 31, 2022 and 2021.

	2022 (US$ in Thousands)			
	(Level 1)	(Level 2)	(Level 3)	Total
Real estate and improvements	$ -	$ -	$ 496,891	$ 496,891
Real estate joint venture	-	-	307	307
Loans receivable	-	-	4,034	4,034
	$ -	**$ -**	**$ 501,232**	**$ 501,232**

	2021			
	(Level 1)	(Level 2)	(Level 3)	Total
Real estate and improvements	$ -	$ -	$ 415,211	$ 415,211
Real estate joint venture	-	-	307	307
Loans receivable	-	-	2,604	2,604
	$ -	**$ -**	**$ 418,122**	**$ 418,122**

The table below sets forth a summary of changes in the fair value of the Fund's Level 3 assets for the year ended December 31, 2022 and 2021:

	Real Estate and Improvements	Unconsolidated Real Estate Investments	Loans Receivable	Total Level 3 Investments
		(US$ in Thousands)		
Ending balance, December 31, 2020	**$ 176,719**	**$ 299**	**$ 1,985**	**$ 179,003**
Real estate acquisitions	231,595	-	-	231,595
Real estate improvements	6,132	8	-	6,140
Net proceeds from sale of real estate investments *	(5,817)	-	-	(5,817)
Principal payments received	-	-	(4,758)	(4,758)
Funding of loans	-	-	5,377	5,377
Total realized gain on sale of real estate investments	1,954	-	-	1,954
Total unrealized gain on real estate investment	4,628	-	-	4,628
Ending balance, December 31, 2021	**$ 415,211**	**$ 307**	**$ 2,604**	**$ 418,122**
Real estate acquisitions	66,041	-	-	66,041
Real estate improvements	20,313	-	-	20,313
Net proceeds from sale of real estate investments*	(13,314)	-	-	(13,314)
Principal payments received	-	-	(3,913)	(3,913)
Funding of loans	-	-	5,343	5,343
Total realized gain on sale of real estate investments	312	-	-	312
Total unrealized gain on real estate investment	8,328	-	-	8,328
Ending balance, December 31, 2022	**$ 496,891**	**$ 307**	**$ 4,034**	**$ 501,232**

* Net of closing costs, commissions, and loan prepayment fees

The following is a description of the valuation techniques used for items measured at fair value:

Real Estate and Improvements

The fair value of consolidated Real Estate and Improvements is based upon acquisition price (for recent acquisitions), estimated sales proceeds (net of estimated closing costs and commissions for projects under contract), or the Manager's internal fair value estimates. Such values have been identified for investment and portfolio management purposes only. The estimated fair values determined by the Manager may vary significantly from the prices at which the real estate investments would sell, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller.

The Fund's internal fair value estimates are determined using a single period capitalization method whereby net operating income is divided by a capitalization rate and further adjusted for estimated transaction costs. Key assumptions in the fair value calculation include capitalization rates, vacancy factors, and estimated transaction costs. These key assumptions are derived from comparable market transactions as well as other financial and industry data, and are based on the location, type and nature of each property, and current and anticipated market conditions. Fair value measurements take into consideration the estimated effect of physical depreciation; therefore, historical cost depreciation and amortization on real estate related assets has been excluded from net investment income in deriving fair value of each investment. Significant increases (decreases) in any of the above inputs and assumptions in isolation could result in a significantly lower (higher) fair value. Although the estimated fair values represent subjective estimates, management believes these estimated fair values are reasonable approximations of market prices and the aggregate estimated value of investments in real estate is fairly presented at December 31, 2022 and 2021.

The values of real estate properties undergoing development have been prepared giving consideration to costs incurred to date and to key development risk factors and entrepreneurial profits.

The following table summarizes the valuation techniques and significant unobservable inputs and the ranges of values for those inputs used to determine the fair value of Real Estate and Improvements at December 31, 2022 and 2021, respectively:

Valuation Methodologies Used to Value Real Estate and Improvements (US$ in thousands)

Period/Valuation Methodology	Fair Value		Unobservable Inputs	Range of Significant Input Value	Weighted Average
2022	*(US$ in thousands)*				
Acquisition Price	$	187,745	N/A	N/A	N/A
Single Period Capitilization Method		309,146	Capitalization Rate	5.85% to 9.00%	7.43%
Total Real Estate and Improvements	**$**	**496,891**			
2021					
Acquisition Price	$	260,479	N/A	N/A	N/A
Single Period Capitilization Method		154,732	Capitalization Rate	5.50% to 8.75%	7.48%
Total Real Estate and Improvements	**$**	**415,211**			

Unconsolidated Real Estate Investments

The Fund's ownership in Unconsolidated Real Estate Investments is accounted for using the equity method of accounting (see Note 5 for further information). Under this method, the investment is initially recorded at cost, that is the price paid for the Fund's ownership in the investment. Subsequent to the purchase, the Fund's share of the investment's periodic income or loss (including any unrealized gains or losses when the investment value is adjusted to fair value) will result in income or loss from the investment and an increase or decrease, respectively, to the investment recorded by the Fund. Distributions from the investment result in a decrease to the investment recorded by the Fund. The Fund held an interest in one unconsolidated real estate investment (110 Main LLC) as of December 31, 2022 and 2021 and the value thereof approximated costs.

Loans Receivable

Fair value is determined on the basis of estimated market interest rates for loans of comparable quality and maturity. As the Fund's loans are short term in nature (less than 12 months), fair value approximated cost (principal plus interest accrued on the loans receivable balance). The Fund evaluates the collectability of the balances based upon historical experience and the specific circumstances of individual notes, with an allowance for uncollectible amounts being provided if necessary. As of December 31, 2022 and 2021 no allowance for uncollectible amounts was recorded.

NOTE 4 - NEW REAL ESTATE INVESTMENTS AND DIVESTITURES

New Investments During 2022

The following were the real estate investments made by the Fund during the year ended December 31, 2022 (see also the Schedule of Investments for further detail):

Acquisition of Carefree

On January 3, 2022, the Fund acquired the retail property totaling 138 thousand square feet on 10.05 acres located in Colorado Springs, CO. The property is owned by Alturas Carefree, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately $16.3 million. In connection with the purchase, Alturas Carefree, LLC, incurred debt totaling $11.1 million. The property is a multi-tenant property and was 98% leased as of the date of the acquisition.

Acquisition of T5 Ontario

On January 5, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Ontario, OR. The property is owned by T5 Ontario RE, LLC and the Fund holds a 60.00% interest in that entity. The remaining interest is held by one unaffiliated third party. The total acquisition price was approximately $0.7 million. In connection with the purchase, T5 Ontario RE, LLC incurred no debt. The property is a single tenant development property and was 100% leased as of the date of acquisition.

Acquisition of Tucson Fiesta

On January 14, 2022, the Fund and two unaffiliated third parties acquired the retail property totaling 93 thousand square feet on 8.83 acres located in Tucson, AZ. The property is owned by Alturas Tucson Fiesta, LLC and the Fund holds a 78.75% interest in that entity with the remaining interest held by two unaffiliated third parties. The total acquisition price was approximately $14.6 million. In connection with the purchase, Alturas Tucson Fiesta, LLC, incurred debt totaling $10.4 million. The property is a multi-tenant property and was 100% leased as of the date of the acquisition.

Acquisition of T5 Glenwood

On February 11, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Garden City, ID. The property is owned by T5 Glenwood RE, LLC and the Fund holds a 60.00% interest in that entity. The remaining interest is held by one unaffiliated third party. The total acquisition price was approximately $0.5 million. In connection with the purchase, T5 Glenwood RE, LLC incurred no debt. The property is a single tenant development property and was 100% leased as of the date of acquisition.

Acquisition of Star Development

On March 11, 2022 the Fund and one unaffiliated party acquired land totaling 0.49 acres planned to be developed into a two tenant retail center totaling 4 thousand square feet in Star, ID. The property is owned by Alturas CCP Star, LLC and the Fund holds a 50.10% interest in the entity. The remaining interest is held by one unaffiliated third party. The acquisition price was approximately $0.5 million. In connection with the purchase, Alturas CCP Star, LLC incurred no debt. The property is a multi-tenant property and was 100% leased as of the date of acquisition.

Acquisition of T5 Caldwell

On April 8, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Caldwell, ID. The property is owned by T5 Caldwell RE, LLC and the Fund holds a 60.00% interest in that entity. The remaining interest is held by one unaffiliated third party. The total acquisition price was approximately $1.1 million. In connection with the purchase, T5 Caldwell RE, LLC incurred no debt. The property consists of two pad sites with one pad currently on the market to be sold and the second leased to Take 5 as of the date of the acquisition.

Acquisition of T5 Ten Mile

On May 16, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Meridian, ID. The property is owned by T5 Ten Mile RE, LLC and the Fund holds a 60.00% interest in that entity. The remaining interest is held by one unaffiliated third party. The total acquisition price was approximately $1 million. In connection with the purchase, T5 Ten Mile RE, LLC incurred no debt. The property is a single development property and was 100% leased as of the date of acquisition. See real estate divestitures during 2022 below for information related to the partial sale of the property.

Acquisition of Gainey Ranch

On June 28, 2022, the Fund and one unaffiliated third party acquired a two-building office complex totaling 127 thousand square feet on 3.918 acres located in Scottsdale, AZ. The property is owned by Alturas Gainey Ranch, LLC and the Fund holds an 80.42% interest in that entity with the remaining interest held by one unaffiliated third party. The total acquisition price was approximately $34.8 million. In connection with the purchase, Alturas Gainey Ranch, LLC incurred debt totaling $23.9 million. The property is a multi-tenant property and was 79% leased as of the date of the acquisition.

Acquisition of Brightstar – Overland

On November 21, 2022, the Fund partnered with Brightstar, a senior living provider, to build a 6 thousand square foot memory care facility in Meridian, ID. The property is owned by Brightstar Overland Road, LLC and the Fund holds an 81.42% interest in the entity with the remaining interest held by one unaffiliated third party. Brightstar Overland Road, LLC also has profit interests where the Fund holds an 56% profit interest in the entity with the remaining interest being held by two unaffiliated third parties. The total acquisition price was approximately $0.4 million. In connection with the purchase, Brightstar Overland Road, LLC incurred no debt.

Real Estate Divestitures During 2022

The following were the real estate divestitures made by the Fund during the year ended December 31, 2022:

Sale of Ustick

On June 18 ,2021, the Fund acquired mixed-use development totaling 4.50 acres in Meridian Idaho. The property is owned by Alturas Ustick, LLC and the Fund holds a 100% interest in that entity. On January 19, 2022 Alturas Ustick, LLC sold 1.62 acres for $0.9 million and no gain. Alturas Ustick, LLC continues to develop the remaining 2.89 acres at this property.

Sale of T5 Ten Mile

On May 16, 2022, the Fund formed T5 Ten Mile RE, LLC, to acquire 1.00 acres of raw land located in Meridian, ID. The Fund owns 60.00% of T5 Ten Mile RE, LLC. On August 15, 2022, T5 Ten Mile RE, LLC sold 0.54 acres for $0.7 million which resulted in a $0.1 million gain net of transaction fees and commissions. T5 Ten Mile RE, LLC continues to develop the remaining 0.46 acres at this property.

Sale of 4200 Hawthorne

On April 10, 2019, the Fund formed 4200 Hawthorne, LLC, to acquire a 78 thousand square foot office building located in Pocatello, ID. The Fund owned 50.10% of 4200 Hawthorne, LLC. On November 30, 2022, 4200 Hawthorne, LLC sold 4200 Hawthorne for $12.6 million which resulted in a $0.17 million gain net of transaction fees and commissions.

New Investments During 2021

The following were the real estate investments made by the Fund during the year ended December 31, 2021 (see also the Schedule of Investments for further detail):

Acquisition of North Creek

On January 29, 2021, the Fund formed Alturas Northcreek, LLC to acquire a three-building office complex totaling 326 thousand square feet on 16.61 acres located in Colorado Springs, CO. The Fund owns 99.36% of Alturas Northcreek, LLC.

Acquisition of Garden Gateway

On February 19, 2021, the Fund formed Alturas Garden Gateway, LLC to acquire two single-story flex industrial/office buildings and one two-story office building totaling 115 thousand square feet on 11.91 acres located in Colorado Springs, CO. The Fund owns 100% of Alturas Garden Gateway, LLC.

Acquisition of 5709 Sunset

On June 2, 2021, the Fund formed Alturas Sunset, LLC to acquire a two story, suburban office building totaling 39 thousand square feet on 4.77 acres located in Spokane, WA. The Fund owns 100% of Alturas Sunset, LLC.

Acquisition of 1680 Westland

On June 4, 2021, the Fund formed Alturas 1680 Westland, LLC to acquire a drive-through restaurant property off market totaling 4 thousand square feet on 5.00 acres located in Boise, ID. The Fund owns 77.43% of Alturas 1680 Westland, LLC.

Acquisition of Ustick

On June 18, 2021, the Fund formed Alturas Ustick, LLC to acquire a mixed-use development totaling 4.50 acres in Meridian, ID. The Fund owns 100% of Alturas Ustick, LLC and the Fund holds a 100% interest in that entity. See real estate divestitures during 2022 above for information related to the partial sale of the property.

Acquisition of 6455 Yosemite

On June 21, 2021, the Fund formed Alturas Yosemite, LLC to acquire a suburban office property totaling 199 thousand square feet located in Denver, CO. The Fund owns 100% of Alturas Yosemite, LLC.

Acquisition of Stanford I

On June 21, 2021, the Fund formed Alturas Stanford, LLC to acquire a suburban office property totaling 274 thousand square feet located in Denver, CO. The Fund owns 100% of Alturas Stanford, LLC.

Acquisition of Chinden & Midland

On July 23, 2021, the Fund formed Alturas SE Chinden & Midland, LLC to enter into a partnership with Brighton Corp to purchase, develop, and sell lots to Alturas Homes and the single-family home building division of our development partner. The Fund owns 100% of Alturas SE Chinden & Midland, LLC.

Acquisition of 5617 Cleveland Blvd

On October 29, 2021, the Fund formed Alturas 5617 Cleveland, LLC to acquire an industrial property consisting of four existing building totaling 28 thousand square feet and an additional 15.00 acres that is planned for an additional 200 square feet of industrial development located in Caldwell, ID. The Fund owns 92.51% of Alturas 5617 Cleveland, LLC.

Brightstar Meridian Road

On October 22, 2021, the Fund formed Brightstar Meridian Road, LLC to partner with Brightstar, a senior living provider, to build a 6 thousand square feet memory care facility in Meridian, ID. The Fund owns 74.57% of Brightstar Meridian Road, LLC. Brightstar Meridian Road, LLC also has profit interests where the Fund holds an 55% profit interest in the entity with the remaining interest being held by two unaffiliated third parties.

Brightstar Eagle Road

On November 15, 2021, the Fund formed Brightstar Eagle Road, LLC to partner with Brightstar, a senior living provider, to build a 6 thousand square feet memory care facility in Boise, ID. The Fund owns 78.38% of Brightstar Eagle Road, LLC. Brightstar Eagle Road, LLC also has profit interests where the Fund holds an 50% profit interest in the entity with the remaining interest being held by two unaffiliated third parties.

Acquisition of Space Center & Newport

On November 19, 2021, the Fund formed Alturas Space Center & Newport, LLC to acquire an office property consisting of two existing buildings totaling 163 thousand square-feet in Colorado Springs, CO. The Fund owns 100% of Alturas Space Center & Newport, LLC.

Acquisition of Orchard Pointe

On December 10,2021, the Fund formed Alturas Orchard Pointe, LLC to acquire a six-story office property totaling 121 thousand square feet on 3.69 acres located in southeast Greenwood Village, CO. The Fund owns 100% of Alturas Orchard Pointe, LLC.

Acquisition of Metro Towne Center

On December 30, 2021, the Fund formed Alturas Metro Towne Center, LLC to acquire a retail property totaling 140 thousand square feet on 14.60 acres located in Phoenix, AZ. The Fund owns 81.73% of Alturas Metro Towne Center, LLC.

Real Estate Divestitures During 2021
The following were the real estate divestitures made by the Fund during the year ended December 31, 2021:

Sale of Whitley

On August 2, 2019, the Fund formed 2206 Whitley, LLC, to acquire a 16 thousand square foot retail center located in Fruitland, ID. The Fund owned 100% of 2206 Whitley, LLC. On March 4, 2021, 2206 Whitley, LLC sold 2206 Whitley for $2.3 million for a gain of $0.3 million.

Sale of Wycoff

On February 21, 2020, the Fund acquired a 23 thousand square foot industrial property on 2.42 acres located in Twin Falls, ID. The property is owned by 297 Wycoff, LLC and the Fund held a 100% interest in that entity. On January 1, 2021, an unaffiliated third party invested in 297 Wycoff, LLC resulting in the Fund holding 86.90% interest in the entity. The remaining interest was held by an unaffiliated third party. On April 2, 2021, 297 Wycoff, LLC sold 297 Wycoff for $3.9 million for a gain of $1.6 million.

NOTE 5 - UNCONSOLIDATED REAL ESTATE INVESTMENTS

On October 8, 2015, the Fund acquired a 40% ownership interest in 110 Main LLC, which owns a 6 thousand square foot office building in Boise, ID. The purchase price was $0.3 million. The building was a historic home that has been renovated for office use.

The following is a summary of the fair value basis assets and liabilities underlying the Fund's unconsolidated joint venture investment (110 Main LLC) at December 31, 2022 and 2021:

		2022		2021
		(US$ in Thousands)		
Cash	$	8	$	17
Real estate and improvements		1,588		1,588
Mortgage loans (less unamortized debt issuance costs of $12 and $14)		(802)		(823)
Other liabilities		(27)		(15)
Net Assets	$	767	$	767
AREF's share of real estate joint venture net assets	**$**	**307**	**$**	**307**

As of December 31, 2022, the Fund has a variable interest in 110 Main, LLC, as a result of the Fund's guarantee of a portion of 110 Main, LLC's long-term debt. The Fund's maximum exposure to loss as of December 31, 2022 with respect to its relationship with 110 Main, LLC, is approximately $0.8 million, the amount of the debt guarantee provided.

NOTE 6 - MEMBERS SUBSCRIPTION PAYABLE, TEMPORARY NOTES, AND MEMBER NOTES

Member subscriptions payable consists of funds received from unaffiliated investors. These funds are either held as member subscription payable (if the funds have not yet been deployed) or temporary notes (equity funds that have been deployed but have not been subscribed as equity).

Member Subscriptions Payable

From the point in time when funds are received by the Fund from investors until the funds are deployed, the funds remain in the Fund's subscription bank account which is a legally separate bank account and is segregated from all other bank accounts used by the Fund. The subscription bank account is used solely for the purposes of holding funds transferred to the Fund from investors prior to deployment of those funds as either member note investments or equity subscriptions. The Fund held pending equity subscriptions balances of $250 thousand and $0 thousand as of December 31, 2022 and 2021, respectively. The Fund held pending note subscriptions of $0 million and $2.86 million as of December 31, 2022 and 2021, respectively which are reflected in Member subscription payable and temporary notes.

Temporary Notes

When investor subscription funds are deployed, if those funds are equity subscriptions, the Member Subscriptions Payables balance converts to a temporary note which accrues interest at 6-8% per annum. The temporary note will convert to an equity subscription on the first day following the quarter end in which the temporary note matures. The term and interest rate applicable to temporary notes varies. During 2022, the term and interest rate ranged from 6-15 months and 6-8% interest, respectively. The Fund recorded a temporary note liability of $19.3 million and $48.1 million as of December 31, 2022 and 2021, respectively which are reflected in Member subscription payable and temporary notes.

Member Notes

The Fund also issues short-term and long-term member notes which accrue interest at 6-8% per annum with terms of 12 to 60 months. Investments in these notes will first be held in the subscription account from the time funds are received until the point in time the funds are deployed. At the time of deployment, the funds are converted into member notes. Member notes with remaining term of less than 12 months as of the end of the period are classified as short-term member notes on the Statement of Net Assets. Member notes with remaining term of greater than 12 months as of the end of the period are classified as long-term member notes on the Statement of Net Assets.

In addition, the Fund issues short-term member notes under a line of credit program whereby investors loan money to the Fund at 8% on a revolving basis for an agreed upon period. Other than the revolving feature of the line of credit, this program is subject to the same subscription terms and conditions applicable to member notes.

See the table below for the short-term and long-term member note balances as of December 31, 2022 and 2021:

	2022		2021	
	(US$ in Thousands)			
Short-Term Member Notes	$	-	$	2,860
Long-Term Member Notes		2,696		1,449
Line of Credit		-		4,000
Total Member Notes	**$**	**2,696**	**$**	**8,309**

Future principal payments of member notes and notes payable which are outstanding as of December 31, 2022 are as follows:

Year Ending December 31, *(US$ in Thousands)*		
2023	$	641
2024		1,843
2025		212
Total	**$**	**2,696**

NOTE 7 - MORTGAGE LOANS AND NOTES PAYABLE

Mortgage loans and notes payable consists of the following as of December 31, 2022 and 2021 (at carrying value):

	2022		2021	
	(US$ in Thousands)			
Mortgage loans and notes payable, principal	$	318,985	$	282,510
Deferred financing costs, net of $1,794 and $1,103 of accumulated amortization, respectively		(4,381)		(4,114)
Total Mortgage Loans and Notes Payable, Net	**$**	**314,604**	**$**	**278,396**

Mortgage Loans and Notes Payable

Mortgage loans and notes payable includes mortgage from banks and other third-party lenders that are collateralized by first and second lien interests in real estate and other interests related to the underlying real estate operating property assets and real estate under and held for development.

Mortgage loans and notes payable bear interest at stated rates ranging from 3.10%-8.00% as of December 31, 2022 and 2021. These loans and notes provide for monthly payments of principal and interest or interest-only and mature at various dates through June 2032.

Future Maturities

Future principal payments of mortgage loans and notes payable which are outstanding as of December 31, 2022 are as follows:

Years Ending December 31, *(US$ in Thousands)*		
2023	$	18,265
2024		13,098
2025		17,326
2026		20,727
2027		59,575
Thereafter		189,994
Total	**$**	**318,985**

Unconsolidated Real Estate Investment Mortgage Loan

The tables above exclude the mortgage loan outstanding on 110 Main given that property is accounted for as an equity method investment and as such, the mortgage balance is not included in the mortgage loans and notes payable line on the Statement of Net Assets. For the years ended December 31, 2022 and 2021, the mortgage balance on 110 Main was $814 thousand and $837 thousand, respectively. As of December 31, 2022 the mortgage interest rate is 3.73% and monthly payments are $4,485 with and expiration date of June 15, 2030.

Swap Agreements

On October 7, 2019 Alturas Mission Village, LLC was party to a swap agreement for a notional amount of $3,535,000 at a fixed rate of 4.00%. The swap agreement, which requires paying and settling monthly, effectively converted $3,535,000 of floating rate debt to fixed rate debt. The swap agreement terminates October 4, 2024. For the years ended December 31, 2022 and 2021, the net amount paid to the counterparty of the interest rate swap was $0 thousand and $46.9 thousand, respectively.

On July 30, 2019 Alturas Presidio, LLC was party to a swap agreement for a notional amount of $9,150,000 at a fixed rate of 3.95%. The swap agreement, which requires paying and settling monthly, effectively converted $9,150,000 of floating rate debt to fixed rate debt. The swap agreement terminates July 31, 2026. For the years ended December 31, 2022 and 2021, the net amount paid to the counterparty of the interest rate swap was $44.6 thousand and $165.8 thousand, respectively.

On November 17, 2020 Alturas Westpark, LLC was party to a swap agreement for a notional amount of $6,162,000 at a fixed rate of 3.10%. The swap agreement, which requires paying and settling monthly, effectively converted $6,162,000 of floating rate debt to fixed rate debt. The swap agreement terminates November 1, 2027. For the year ended December 31, 2022 and 2021, the net amount paid to (received from) the counterparty of the interest rate swap was ($41.1) thousand and $35.6 thousand, respectively.

Revolving Line of Credit

The Company has entered into a revolving line of credit with KeyBank National Association that provides for available borrowings of $8,000,000 as defined by the loan agreement. The agreement matures in August 2023. Borrowings under the line of credit bear interest at SOFR + 2.20% with a minimum floor of 0%. $5,000,000 of the borrowings are collateralized by cash of the Fund and $3,000,000 of the borrowings are unsecured. Amounts outstanding on the line totaled $0 as of December 31, 2022.

Covenants and Restrictions

The Fund has various financial covenants relating to mortgage loans and notes payable. The most significant of these covenants include debt service coverage ratios and liquidity covenants. As of December 31, 2022, the Fund and its properties were in compliance with the applicable loan covenants.

NOTE 8 - MINIMUM FUTURE LEASE REVENUES

As of December 31, 2022, minimum future rental payments to be received from our tenants under non-cancelable operating leases having a term of more than one year are as follows:

Year Ended December 31, *(US$ in Thousands)*		
2023	$	48,145
2024		42,992
2025		33,415
2026		25,968
2027		19,281
Thereafter		39,793
Total	**$**	**209,594**

NOTE 9 - DISTRIBUTIONS AND ALLOCATIONS OF PROFITS AND LOSSES

All distributions and allocations of profits and losses are made pursuant to the operating agreement of the Fund and are generally allocated and distributed as follows:

First, 8% per annum preferred return on each member's unreturned capital contributions. Preferred return is calculated pro rata in proportion to the member's capital contribution and the period of time that the member's capital contribution is outstanding.

Second, 70% to the members, pro rata in proportion to their ownership interest and 30% to the Manager. The Manager earned $2.94 million in allocations of profits for the year ended December 31, 2022 and $2.80 million in allocations of profits for the year ended December 31, 2021.

NOTE 10 - RELATED PARTY TRANSACTIONS

Loans Receivable

An affiliated entity of the Fund borrows capital under short-term promissory notes to finance the construction of single-family homes. The table below summarizes the lending activity between the Fund and its affiliate as of December 31, 2022 and 2021.

	Year Ended December 31,			
		2022		**2021**
	(US$ in Thousands)			
Beginning Loan Receivable Balance	$	2,604	$	1,844
Borrowings		5,343		5,377
Repayments		(3,913)		(4,617)
Ending Loans Receivable Balance	$	4,034	$	2,604
Interest income on loans receivable	$	732	$	442
Accrued interest income as of December 31	$	361	$	123
Maximum Loan Receivable Balance During the Fiscal Year	$	4,675	$	3,148

Asset Management Fees and Performance Income

Under the terms of the agreement between the Fund and the Manager, the Manager is entitled to an asset management fee amounting to 1.5% of committed capital which is accrued monthly and paid monthly after the close of each month. Also, as described further in Note 9 above, the Manager is entitled to performance income which is 30% of Fund earnings above 8%. Management fees and performance income for the years ended December 31, 2022 and 2021 are summarized below:

	Year Ended December 31,	
	2022	**2021**
	(US$ in Thousands)	
Asset Management Fees	$ 2,114	$ 1,301
Performance Income	$ 2,938	$ 2,803

As of December 31, 2022, Asset Management Fees payable were $186 thousand and Performance Income payable was $789 thousand. As of December 31, 2021, Asset Management Fees payable were $286 thousand and Performance Income payable was $584 thousand.

Fees for Services Performed by the Manager

In addition, the Manager performs various services for the benefit of the Fund which the Fund would otherwise engage outside parties to perform. Under the terms of the Private Placement Memorandum, the Fund is permitted to engage the Manager to perform these and other services. Fees paid to the Manager for these services are priced at market rates for similar services. Such services performed by the Manager for the benefit of the Fund during the years ended December 31, 2022 and 2021 include the following:

Property Management Services – The Fund owns and operates commercial real estate in various locations in the Intermountain West and Inland Northwest regions of the United States. Property management services are required to ensure that properties are properly maintained, our customers (tenants) receive the services specified in their lease agreements, and books and records for each property are maintained accurately. As such, the Fund engages various property managers to perform these services, including the Manager and its affiliates in cases where the Manager is able to provide excellent service. These services range from 3-6% for property management and accounting services depending on complexity and range from $30-$65 per hour for property maintenance services depending on the market and services performed. Included in property management services are accounting services and maintenance services. The Fund engages the Manager to perform various accounting services for the Fund itself including financial oversight, investor relations, and tax and audit compliance management services. Pricing for these services is at or below the amounts that a qualified outside party would charge to perform these services.

Project Management Services – The Fund frequently acquires value-add property. As such, additional capital expenditures including capital improvements to the building, landscaping, and signage are often required. Additionally, the Fund often agrees to provide tenant improvements to induce new or existing tenants to lease or renew space in our facilities. These projects require oversight and management, and the Fund engages various outside parties to perform these services including in certain cases, the Manager when the Manager is well suited for the project. Project management fees range from 3-10% depending on the level of involvement the Manager has in the project. The fee range was determined based on actual fees charged by third parties for similar projects in the past.

Loan Brokerage Services– Properties within the Fund are financed primarily with outside secured debt. It is customary to pay loan origination fees to the parties involved in originating the loans including banks and loan brokers. In certain cases, the Manager will originate loans for new projects based on the expertise and lending relationships it has with appropriate lenders and in such cases, will charge the Fund for these loan brokerage services. Fees for loan brokerage services range from 0.5-2.0% of the loan amount in total for all brokers involved including, when applicable, the Manager. This range is based on actual fees charged by third parties in past transactions and other factors such as the level of complexity and size of the loan.

Due Diligence Services – The Fund requires due diligence services on new investments and engages the Manager to perform these services. Costs may be charged by the Manager to the Fund to compensate the Manager for costs incurred along with time spent. These costs principally include fees for lease abstraction services, actual travel costs, financial modeling, site inspection, and tenant interviews.

Lease Brokerage Services – It is customary for brokers involved in originating leases to charge lease commissions for their services. In certain situations, particularly on lease renewals, the Manager will perform those lease origination services and receive compensation for these services. Fees for these services paid to the Manager range from 3-7.5% based on the complexity and amount of time required for the brokerage services. The fee range charged by the Manager, when applicable, is based on actual fees charged by third parties for similar services in past transactions.

Development Services – For ground-up development projects, it is customary for real estate developers to charge a development fee to compensate them for the work required to coordinate the project between working with architects, engineers, general contractors, municipality staff members and so on in order to get the project approved and construction completed. These projects require oversight and management, and the Fund engages various outside parties to perform these services including in certain cases, the Manager when the Manager is well suited for the project. Development fees range from 3-10% depending on the complexity of the project.

Paralegal Services – The Fund requires paralegal service in legal document drafting and engages the Manager to perform some of these services. The Paralegal Services are utilized to provide internal legal document drafting. Pricing for these services is $100 per hour and is at or below the amounts that a qualified outside party would charge to perform these services.

The table below summarizes the fees paid for these services for the years ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	**2021**
	(US$ in Thousands)	
Fees for Services Performed		
Property Management Services	$ 2,352	$ 1,261
Project Management Services	205	98
Loan Brokerage Services	341	945
Due Diligence Services	70	241
Lease Brokerage Services	75	71
Paralegal Services	43	-
Total Fees for Services Performed	$ **3,086**	$ **2,616**

As of December 31, 2022 and 2021, amounts payable to the Manager for the fees for services performed were $531 thousand and $841 thousand, respectively.

Fund Expenses Paid by the Manager

From time to time, an affiliated entity paid expenses on behalf of the Fund (generally travel expenses) to be reimbursed at a later date. For the year ended December 31, 2022 and 2021, the Fund reimbursed $313 thousand and $176 thousand, respectively, for Fund expenses paid by an affiliated entity. As of December 31, 2022 and 2021, the Fund owes $27 thousand and $0 thousand respectively for reimbursements to the affiliated entity.

Other Related Party Transactions

Alturas Property Services, LLC, an affiliate of the Manager, provided property management services to the Fund properties and unrelated parties beginning in 2020. During the year ended December 31, 2022 and 2021 the Fund incurred $410 thousand and $211 thousand, respectively for these services. As of December 31, 2022 and 2021 the Fund owed $33 thousand and $31 thousand, respectively to Alturas Property Services, LLC.

The Fund engages a third-party administrator to perform various tasks with respect to fund administration and investor communications. The third-party administrator is an affiliate of three investors in the Fund. For the years ended December 31, 2022 and 2021, the Fund incurred a total of $173 thousand and $113 thousand, respectively for these services. As of December 31, 2022 and 2021, the Fund owed $0 thousand and $11 thousand, respectively to the fund administrator.

Various executives, employees and owners of the Manager and Alturas LLC (formerly known as Alturas Capital, LLC and partial owner of the Manager) have invested in the Fund. As of December 31, 2022 and 2021, no executives, employees or owners of the Manager and Alturas, LLC had a temporary note balance. The combined equity balance of executives, employees or owners of the Manager and Alturas, LLC investing in the Fund as of December 31, 2022 and 2021 was $1.8 million and $1.6 million, respectively.

An affiliated entity of the Fund provides construction services to the Fund properties beginning in 2022. During the year ended December 31, 2022 the Fund incurred $104 thousand for these services. As of December 31, 2022 the Fund owed $239 thousand to the affiliated entity.

NOTE 11 - FINANCIAL HIGHLIGHTS

	Year Ended December 31,	
	2022	**2021**
	(US$ in Thousands)	
PER UNIT OPERATING PERFORMANCE(*):		
Net Asset Value, Beginning of Period	$ 1,570	$ 1,487
INCOME FROM INVESTMENT OPERATIONS:		
Net investment income, before management fees	241	277
Net realized and unrealized gain on investments	76	116
Total from investment operations, before management fees	317	393
Less: Management fees	28	31
Total from investment operations	289	361
Distributions	(229)	(279)
Net Asset Value, End of Period	$ 1,630	$ 1,570
Total Return, before management fees, net of incentive allocation to manager (a):	*25.91%*	*26.83%*
Total Return, after management fees, net of incentive allocation to manager (a):	*25.71%*	*26.57%*
RATIOS / SUPPLEMENTAL DATA(*):		
Ratios to average net assets (b):		
Total expenses	35.40%	42.15%
Incentive allocation	4.88%	7.91%
Total expenses and incentive allocation	40.28%	50.06%
Net investment income (does not include net realized and unrealized gains)	17.37%	22.40%

(*) All amounts are shown net of amounts allocated to noncontrolling interests and incentive allocation to manager member

NOTE 11 - FINANCIAL HIGHLIGHTS (CONT.)

(a) Total Return, before/after management fees is calculated by geometrically linking quarterly returns which are calculated using the formula below:

Investment Income before/after Management Fees + Net Realized and Unrealized Gains/Losses
- Actual and Estimated Incentive Allocation to Manager
Beg. Net Asset Value + Time Weighted Contributions - Time Weighted Distributions

(b) Average net assets are based on end of month net assets

NOTE 12 - SUBSEQUENT EVENTS

Acquisition of Rock Pointe

On March 24, 2023, the Fund acquired a three-building office complex totaling 127 thousand square feet on 9.6 acres located in Spokane, WA. The property is owned by Alturas Rock Pointe West, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately $25.0 million. In connection with the purchase, Alturas Rock Pointe West, LLC incurred debt totaling $19.2 million. The property is a multi-tenant property and was 79.3% leased as of the date of the acquisition.

T5 Glenwood Construction Loan

On January 24, 2023, T5 Glenwood RE, LLC entered into a construction loan for $1.1 million due in monthly installments of interest only payment to January 2024, followed by monthly installments of $7 thousand including interest, to January 2027, guaranteed by the Fund and secured by the related real estate. The interest rate is variable based on one month secured overnight financing rate plus 3.25%. No guaranty fee was charged.

The Fund has evaluated subsequent events through April 26, 2023, the date, which the financial statements were available to be issued.