ALTURAS
REAL ESTATE FUND

Consolidated Financial Statements | December 31, 2018 and 2017

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Members
Alturas Real Estate Fund LLC
Boise Idaho

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Alturas Real Estate Fund LLC (the "Company"),which comprise the consolidated statement of net assets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the years ended December 31, 2018 and 2017, and the schedule of investments as of December 31, 2018 and 2017 and the related notes to the consolidated financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alturas Real Estate Fund LLC as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended December 31, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Denver, Colorado
May 25, 2019

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Alturas Real Estate Fund LLC

Consolidated Statements of Net Assets
December 31, 2018 and 2017

(US$ in thousands)	**2018**	**2017**
Assets:		
Real Estate Investments - At fair value:		
Real estate and improvements (cost of $78,196 and $54,289)	$ 82,469	$ 57,998
Unconsolidated real estate Investments (cost of $249 and $210)	249	210
Loans receivable (cost of $2,523 and $2,742)	2,523	2,742
Cash	1,690	4,321
Restricted Deposits and Funded Reserves	397	460
Accrued Investment Income	128	212
Prepaid Expenses and Other Assets	595	451
Total Assets	**$ 88,051**	**$ 66,394**
Liabilities and Net Assets		
Liabilities:		
Mortgage Loans and Notes Payable (less unamortized debt issuance costs of $554 and $419)	$ 53,089	$ 38,061
Members Subscription Payable and Temporary Notes	1,660	3,275
Member Notes Payable	1,319	124
Accrued Real Estate Expenses and Taxes	1,133	995
Accrued Incentive Fees	143	116
Accrued Expenses - Related Party	265	102
Member distributions Payable	319	454
Other Liabilities	1,083	451
Total Liabilities	**59,011**	**43,578**
Commitments and Contingencies (Note 5)		
Net Assets:		
Alturas Real Estate Fund LLC net assets	26,708	21,403
Noncontrolling interests	2,332	1,413
Net Assets	**$ 29,040**	**$ 22,816**

(US$ in thousands)	**2018**	**2017**
Investment Income:		
Revenue from real estate	$ 9,362	$ 5,469
Interest income on loans receivable	490	526
Total Investment Income	**9,852**	**5,995**
Expenses:		
Real estate expenses and taxes	2,700	1,488
Interest expense	2,442	1,451
Administrative expenses	390	303
Investment management fees	326	221
Total Expenses	**5,858**	**3,463**
Net Investment Income	**3,994**	**2,532**
Net Realized and Unrealized Gain:		
Realized gain from sale of real estate investments	1,547	206
Unrealized gain on fair value of real estate investments	563	2,106
Net realized and unrealized gain	**2,110**	**2,312**
Increase in Net Assets Resulting from Operations	**6,104**	**4,844**
Less: portion attributable to noncontrolling interests	(399)	(294)
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account	**$ 5,705**	**$ 4,550**
Amounts Attributable to Alturas Real Estate Fund LLC Account		
Net investment income	$ 3,685	$ 2,337
Net realized and unrealized gain	2,020	2,213
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account	**$ 5,705**	**$ 4,550**

(US$ in thousands)	Sponsor/ Managing Member	Investor Members	Noncontrolling Interest	Total
Net Assets - December 31, 2016	**$ 913**	**$ 8,319**	**$ 462**	**$ 9,694**
From Operations:				
Net investment income	61	2,276	195	2,532
Net realized and unrealized gain	51	2,162	99	2,312
Increase in net assets resulting from operations	**112**	**4,438**	**294**	**4,844**
From Capital Transactions:				
Contributions	-	10,326	843	11,169
Distributions	(485)	(2,220)	(186)	(2,891)
Increase (decrease) in net assets resulting from capital transactions	**(485)**	**8,106**	**657**	**8,278**
Incentive allocation to managing member	1,095	(1,095)	-	-
Net Increase in Net Assets	722	11,449	951	13,122
Net Assets - December 31, 2017	**1,635**	**19,768**	**1,413**	**22,816**
From Operations:				
Net investment income	69	3,617	308	3,994
Net realized and unrealized gain	35	1,984	91	2,110
Increase in net assets resulting from operations	**104**	**5,601**	**399**	**6,104**
From Capital Transactions:				
Contributions	58	5,022	920	6,000
Distributions	(1,150)	(4,330)	(400)	(5,880)
Increase (decrease) in net assets resulting from capital transactions	**(1,092)**	**692**	**520**	**120**
Incentive allocation to managing member	1,221	(1,221)	-	-
Net Increase in Net Assets	233	5,072	919	6,224
Net Assets - December 31, 2018	**$ 1,868**	**$ 24,840**	**$ 2,332**	**$ 29,040**

(US$ in thousands)	2018	2017
Cash Flows From Operating Activities:		
Net increase in net assets resulting from operations	$ 6,104	$ 4,844
Adjustments to reconcile net assets resulting from operations		
to net cash flows from operating activities:		
Gain on sale of real estate investments	(1,547)	(206)
Unrealized gain on fair value of real estate investments	(563)	(2,106)
Interest expense attributable to amortization of debt issuance costs	185	78
Bad debts	-	-
Change in assets and liabilities:		
Accrued investment income	84	(60)
Prepaid expenses and other assets	(144)	(193)
Accrued real estate expenses and taxes	304	640
Accrued incentive fees	26	61
Accrued expenses - related party	(3)	50
Other liabilities	632	(6)
Net cash flow provided by operating activities	**5,078**	**3,102**
Cash Flows From Investing Activities:		
Real estate acquisitions and improvements	(13,257)	(9,288)
Proceeds from the sale of real estate investments	9,736	1,050
Unconsolidated real estate investments	(39)	(58)
Changes in restricted deposits and funded reserves	63	(347)
Funding of loans receivable	(3,765)	(5,170)
Principal payments on loans receivable	3,984	4,466
Net cash flow (used for) investing activities	**(3,278)**	**(9,347)**
Cash Flows From Financing Activities:		
Proceeds from mortgage loans and notes payable	3,011	1,545
Principal payments on mortgage loans and notes payable	(6,685)	(1,085)
Payment of debt issuance costs	(320)	(210)
Proceeds from members subscription and temporary notes	1,660	3,275
Proceeds from issuance of member notes	1,194	-
Contributions from members	14	7,128
Contributions from noncontrolling interests	920	843
Distributions to members	(3,825)	(1,909)
Distributions to noncontrolling interests	(400)	(186)
Net cash flow (used for) provided by financing activities	**(4,431)**	**9,401**
Net Change in Cash	(2,631)	3,156
Cash, At Beginning of Year	4,321	1,165
Cash, End of Year	**$ 1,690**	**$ 4,321**

(US$ in thousands)		2018		2017
Supplemental Disclosure of Cash Flow Information				
Cash payments for interest net of capitalized interest of $50 and $38	$	2,168	$	1,408
Supplemental Disclosure of Non-cash Investing and Financing Activities				
Mortgage loans and notes payable refinanced	$	3,225	$	8,610
Real estate investments acquired through mortgage loans and notes payable	$	18,835	$	13,946
Member distributions recorded as a payable	$	319	$	454
Member contributions through subscription payable	$	3,275	$	2,635
Reinvested distributions	$	1,791	$	565

(US$ in thousands)			FT² (000's) Unless Otherwise Indicated	December 31, 2018		December 31, 2017	
Investment	**Ownership**	**City, State**	**(Unaudited)**	**Cost Basis**	**Fair Value**	**Cost Basis**	**Fair Value**
Real Estate and Improvements and Unconsolidated Real Estate Investements							
Retail							
Eagle Marketplace	CI - 100%	Eagle, ID	60	$ 5,458	$ 7,938	$ 5,368	$ 7,413
Mission Village	CI - 95.50%	Wenatachee, WA	33	4,547	4,270	4,409	4,409
Idaho Dutch Bros	CI - 95.00%	Caldwell, ID	1	1,405	2,156	1,399	1,687
Adelmann Building	CI - 90.44%	Boise, ID	15	2,195	2,195	2,172	2,172
12005 Meridian	CI - 87.94%	Puyallup, WA	7	-	-	3,050	3,050
Parkway Plaza	CI - 91.73%	ID Falls, ID	75	4,257	4,257	-	-
5804 Fairview	CI - 96.45%	Boise, ID	23	2,369	2,679	-	-
Colorado Dutch Bros	CI - 100% *	Colorado Springs, CO	1	543	543	-	-
Eagle Island	CI - 89.92%	Meridian, ID	10	722	722	-	-
Retail Total				21,496	24,760	16,398	18,731
% of Total Real Estate Investments				*26.55%*	*29.05%*	*28.65%*	*30.73%*
Industrial							
Westpark	CI - 80.00%	Boise, ID	118	6,439	6,700	6,414	6,676
595 Washington	CI - 88.52%	Twin Falls, ID	11	725	932	724	795
1550 Tech Lane	CI - 100%	Boise, ID	106	6,854	6,854	6,052	6,052
Industrial Total				14,018	14,486	13,190	13,523
% of Total Real Estate Investments				*17.31%*	*16.99%*	*23.04%*	*22.19%*
Office							
Treasure Valley Crossing	CI - 95.63%	Nampa, ID	21	-	-	3,791	4,294
1444 Entertainment	CI - 95.01%	Boise, ID	78	13,019	13,560	12,658	13,198
110 Main	UCI - 40.00%	Boise, ID	6	249	249	210	210
Siete I	CI - 81.00%	Phoenix, AZ	58	8,661	8,661	8,252	8,252
The Ashby on Osborn	CI - 86.79%	Phoenix, AZ	89	10,899	10,899	-	-
Cottonwood Plaza	CI - 100%	Boise, ID	43	4,445	4,445	-	-
Siete Square II	CI - 90.00%	Phoenix, AZ	54	5,658	5,658	-	-
Total Office				42,931	43,472	24,911	25,954
% of Total Real Estate Investments				*53.02%*	*51.00%*	*43.52%*	*42.58%*
Total Real Estate and Improvements and Unconsolidated Real Estate Investements				**78,445**	**82,718**	**54,499**	**58,208**
% of Total Real Estate Investments				*96.88%*	*97.04%*	*95.21%*	*95.50%*
Loans Receivable							
Loans to affiliate	Loan		59 Units	2,523	2,523	2,742	2,742
Total Loans Receivable				**2,523**	**2,523**	**2,742**	**2,742**
% of Total Real Estate Investments				*3.12%*	*2.96%*	*4.79%*	*4.50%*
Total Real Estate Investments				**$ 80,968**	**$ 85,241**	**$ 57,241**	**$ 60,950**

CI - Consolidated Real Estate Investment
UCI - Unconsolidated real estate investment accounted for using the equity method of accounting
* Upon construction completion and sale of the Colorado Springs Dutch Bros, our development partner will be entitled to 15.00% of the gain on sale.

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 Company 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 residential and commercial real estate investments. The Fund targets middle-market properties throughout the Pacific Northwest and Intermountain West regions of the country.

Note 2 - Significant Accounting Policies

Basis of Presentation
The consolidated financial statements represent the consolidation of the Company 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:

- Alturas 1124 Caldwell Blvd, LLC
- 110 Main LLC
- Alturas Eagle Marketplace, LLC
- Alturas Westpark, LLC
- Alturas Treasure Valley Crossing, LLC
- Alturas Mission Village, LLC
- Alturas 1444 Entertainment, LLC
- Alturas 595 Washington, LLC
- Idaho DB One, LLC
- Alturas 12005 Meridian, LLC
- Alturas Siete I, LLC
- Alturas Adelmann, LLC
- Alturas 1550 Tech Lane, LLC
- Alturas Parkway Plaza, LLC
- Alturas Country Club Manor, LLC
- Colorado DB One, LLC
- Alturas 5804 Fairview, LLC
- Alturas Cottonwood Plaza, LLC
- Alturas Eagle Island, LLC
- Alturas Siete II, LLC

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 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 Company'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 real estate and improvements 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
Cash consist of cash held at financial institutions. We do not hold any cash equivalents at this time. The Company invests its cash primarily in deposits with commercial banks. At times, cash balances at a limited number of banks and financial institutions may exceed federally insured amounts. The Company believes it mitigates credit risk by depositing cash in multiple, major financial institutions.

Restricted Deposits and Funded Reserves
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.

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 Statement of Net Assets. Amortization of debt issuance costs is included in Interest Expense in the accompanying Consolidated Statement of Operations.

Revenue Recognition
The Company 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 Company has no continuing obligation to provide services to such former tenants.

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

Income Taxes
The Company 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 Company has been included in these consolidated financial statements.

The Company 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, 2018 and 2017.

Reclassifications
Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on the increase in net assets or net assets.

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 input 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 Company. Unobservable inputs are inputs that reflect the Company'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 Company 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 the Company's assets measured at fair value as of December 31, 2018 and 2017:

(US$ in thousands)	2018			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
Real estate and improvements	$ -	$ -	$ 82,469	$ 82,469
Real estate joint venture	-	-	249	249
Loans receivable	-	-	2,523	2,523
	$ -	**$ -**	**$ 85,241**	**$ 85,241**

(US$ in thousands)	2017			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
Real estate and improvements	$ -	$ -	$ 57,998	$ 57,998
Real estate joint venture	-	-	210	210
Loans receivable	-	-	2,742	2,742
	$ -	**$ -**	**$ 60,950**	**$ 60,950**

The table below set forth a summary of changes in the fair value of the Company's Level 3 assets for the year ended December 31, 2018 and 2017:

(US$ in thousands)	**Real Estate and Improvements**	**Unconsolidated Real Estate Investments**	**Loans Receivable**	**Total Level 3 Investments**
Beginning balance, January 1, 2017	**$ 33,503**	**$ 151**	**$ 2,038**	**$ 35,692**
Real estate acquisitions	18,204	59	-	18,263
Real estate improvements	5,029	-	-	5,029
Proceeds from sale of real estate investments *	(1,050)	-	-	(1,050)
Principal payments received	-	-	(4,466)	(4,466)
Funding of loans	-	-	5,170	5,170
Total realized gain on sale of real estate investments	206	-	-	206
Total unrealized gain on real estate investment	2,106	-	-	2,106
Ending balance, December 31, 2017	**57,998**	**210**	**2,742**	**60,950**
Real estate acquisitions	28,122	39	-	28,161
Real estate improvements	3,975	-	-	3,975
Net proceeds from sale of real estate investments *	(9,736)	-	-	(9,736)
Principal payments received	-	-	(3,984)	(3,984)
Funding of loans	-	-	3,765	3,765
Total realized gain on sale of real estate investments	1,547	-	-	1,547
Total unrealized gain on real estate investment	563	-	-	563
Ending balance, December 31, 2018	**$ 82,469**	**$ 249**	**$ 2,523**	**$ 85,241**

* 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 Company'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, 2018 and 2017.

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, 2018 and 2017, 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
2018					
Acquisition Price	$	44,234	N/A	N/A	N/A
Contracted Sales Price*		2,156	N/A	N/A	N/A
Single Period Capitalization Method		36,079	Capitalization Rate	7.00% to 8.50%	8.04%
Total Real Estate and Improvements	**$**	**82,469**			

* Fair value for this category was determined based on actual sales price for the Idaho Dutch Bros sale on January 2, 2019 as discussed further in Note 12.

Period / Valuation Methodology		Fair Value	Unobservable Inputs	Range of Significant Input Value	Weighted Average
2017					
Acquisition Price	$	23,935	N/A	N/A	N/A
Contracted Sales Price		-	N/A	N/A	N/A
Single Period Capitalization Method		34,063	Capitalization Rate	7.00% to 8.25%	7.90%
Total Real Estate and Improvements	**$**	**57,998**			

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 the investment recorded by the Fund. The Fund held an interest one unconsolidated real estate investment as of December 31, 2018 and 2017, 110 Main LLC and the fair 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 Company's loans are short term in nature (less than 12 months) fair value approximated cost, principal plus interest accrued on the loans receivable balance.

Note 4 - New Real Estate Investments and Divestitures

New Investments During 2018
The following were the real estate investments made by the Fund during the year ended December 31, 2018 (see also the Schedule of Investments for further detail):

Parkway Plaza
On February 13, 2018, the Fund and an unaffiliated third party acquired a 75 thousand square foot retail property located in Idaho Falls ID. This property is owned by Alturas Parkway Plaza, LLC and the Fund holds a 91.73% interest in that entity. The remaining interest is held by an unaffiliated third party. The total acquisition price was approximately $4.0 million. In connection with the purchase, Alturas Parkway Plaza, LLC incurred debt totaling $3.2 million.

The Ashby on Osborn
On March 28, 2018, the Fund and an unaffiliated third party acquired an 89 thousand square foot office property located in Phoenix AZ. This property is owned by Alturas Country Club Manor, LLC and the Fund holds an 86.79% interest in that entity. The remaining interest is held by an unaffiliated third party. The total acquisition price was approximately $9.8 million. In connection with the purchase, Alturas Country Club Manor, LLC incurred debt totaling $6.3 million.

5804 Fairview
On August 14, 2018, the Fund and an unaffiliated third party acquired a 23 thousand square foot vacant retail property located in Boise ID. This property is owned by Alturas 5804 Fairview, LLC and the Fund holds a 96.45% interest in that entity. The remaining interest is held by an unaffiliated third party. The total acquisition price was approximately $2.0 million. The company also incurred tenant improvement and other capital expenditures to refurbish the property in connection with leasing 100% of the property to a single retail tenant concurrent with closing on the property. In connection with the purchase, Alturas 5804 Fairview, LLC incurred debt totaling $1.9 million.

Dutch Bros – Colorado Springs (Development Project)
On August 31, 2018, the Fund acquired a 0.9-acre lot for the purpose of constructing an 824 square foot Dutch Bros in Colorado Spring CO. This property is owned by Colorado DB One, LLC. The Fund holds a 100.00% interest in that entity; however, after development of the property and in connection with a sale of the property to a third party, 15.00% of the ownership will transfer to our development partner on this project, an unaffiliated third party. The total acquisition price of the land was approximately $0.5 million. In connection with the development of the property, Colorado DB One, LLC obtained construction loan to be used to partially fund the project. As of December 31, 2018, no funds had been borrowed on the construction loan.

Cottonwood Plaza
On September 6, 2018, the Fund acquired a 43 thousand square foot office property located in Boise ID. This property is owned by Alturas Cottonwood Plaza, LLC and the Fund holds a 100.00% interest in that entity. The total acquisition price was approximately $4.3 million. In connection with the purchase, Alturas Cottonwood Plaza, LLC incurred debt totaling $3.4 million.

Eagle Island (Development Project)
On October 15, 2018, the Fund acquired a retail pad for the purpose of constructing a 10 thousand square foot retail property located in Meridian, ID. This property is owned by Alturas Eagle Island, LLC. The Fund holds an 89.92% interest in that entity. The remaining interest is held by two unaffiliated third parties. The total acquisition price of the land was approximately $0.7 million. Construction on the property is currently scheduled to commence in the Summer of 2019.

Siete Square II
On December 21, 2018, the Fund and an unaffiliated third party acquired a 54 thousand square foot office property located in Phoenix AZ. This property is adjacent to Siete I, another investment property owned by the Fund. This property is owned by Alturas Siete II, LLC and the Fund holds a 90.00% interest in that entity. The remaining interest is held by an unaffiliated third party. The total acquisition price was approximately $5.7 million. In connection with the purchase, Alturas Siete II, LLC incurred debt totaling $4.1 million.

Real Estate Divestitures During 2018
The following were the real estate divestitures made by the Fund during the year ended December 31, 2018:

Treasure Valley Crossing
On September 26, 2016, the Fund and an unaffiliated third party acquired a 21 thousand square foot retail property located in Nampa, ID. This property was owned by Alturas Treasure Valley Crossing, LLC and the Fund held a 95.63% interest in that entity. The remaining interest was held by an unaffiliated third party. On August 31, 2018, Alturas Treasure Valley Crossing, LLC sold the property to an unaffiliated third party for $5.7 million which resulted in a $1.4 million gain net of closing costs and fees, of which $503 thousand had previously been recognized as an unrealized gain in prior years.

12005 Meridian
On April 28, 2017, the Fund and an unaffiliated third parties acquired a development project in Puyallup, Washington. This property was owned by Alturas 12005 Meridian, LLC and the Fund owned 87.94% of Alturas 12005 Meridian, LLC. The purchase price was approximately $1,500,000, with an additional $205,000 in tenant lease buyouts. The former building was demolished, and a new 7 thousand square foot retail building was constructed which was placed into service in June 2018. Subsequent to construction, Alturas 12005 Meridian, LLC converted the construction loan outstanding at the time to a permanent loan totaling $3.2 million. On November 28, 2018, Alturas 12005 Meridian, LLC sold the property for $5.0 million which resulted in a $0.1 million gain net of closing costs and fees.

New Investments During 2017
The following were the real estate investments made by the Fund during the year ended December 31, 2017 (see also the Schedule of Investments for further detail):

Idaho DB One
On April 21, 2017, the Fund formed Idaho DB One, LLC to acquire a parcel of land for a retail development in Caldwell, ID. The Fund owns 95.00% of Idaho DB One, LLC.

12005 Meridian
On April 28, 2017, the Fund formed Alturas 12005 Meridian, LLC to acquire a development project in Puyallup, Washington. The Fund owned 87.94% of Alturas 12005 Meridian, LLC. As noted above, this property was sold in November 2018.

Siete I
On June 2, 2017, the Fund formed Alturas Siete I, LLC to acquire a 58 thousand square foot office building in Phoenix, Arizona. The Fund owns 81.00% of Alturas Siete I, LLC.

Adelmann
On July 5, 2017, the Fund formed Alturas Adelmann, LLC to purchase a 15 thousand square foot retail building in Boise, Idaho. The Fund owns 90.44% of Alturas Adelmann, LLC.

1550 Tech Lane
On August 3, 2017, the Fund formed Alturas 1550 Tech Lane, LLC to purchase a 105 thousand square foot industrial building in Boise, Idaho. Alturas 1550 Tech Lane is a wholly owned by the Fund.

Real Estate Divestitures During 2017
The following were the real estate divestitures made by the Fund during the year ended December 31, 2017:

1124 Caldwell Blvd
On October 23, 2015, the Fund formed Alturas 1124 Caldwell Blvd, LLC to purchase a 3 thousand square foot retail building in Nampa, Idaho. The Fund owned 70.00% of Alturas 1124 Caldwell Blvd, LLC. The property was sold on June 30, 2017.

Deep Canyon
On August 24, 2017, the Fund purchased 1200 Deep Canyon, an 8 thousand square foot home in Star, Idaho. Later in 2017, the Fund divested of the property; however, interest of $34K receivable from an affiliate related to this property was outstanding as of December 31, 2017. The interest was paid in December 2018.

Note 5 - Unconsolidated Real Estate Investments

On October 8, 2015, the Fund acquired a 40% ownership interest in 110 Main LLC, which owns a 6,230 square foot office building in Boise, Idaho. The purchase price was $275 thousand. The building was a historic home that has been renovated for office use. The cost of that renovation through December 31, 2018, was approximately $1.1 million which has been funded with $0.6 million of debt and $0.5 million of equity contributions from the Partnership: $0.2 million from the Fund and $0.3 million from an unaffiliated third-party. During 2018, and additional $0.1 million was contributed by the owners of 110 Main LLC for operating expenses.

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, 2018 and 2017:

(US$ in thousands)	**2018**	**2017**
Cash	$ 31	$ 9
Real estate and improvements	1,170	1,091
Mortgage loans	(591)	(597)
Net Assets	$ 610	$ 503
AREF's share of real estate joint venture net assets	**$ 249**	**$ 210**

There were no revenues or expenses during the years ended December 31, 2018 and 2017.

At December 31, 2018, the Company 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, 2018 with respect to its relationship with 110 Main LLC, is approximately $0.6 million, the amount of the debt guarantee provided.

Note 6 - Members Subscription Payable, Temporary Notes, and Member Notes Payable

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 Subscription 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 Company'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 company from investors prior to deployment of those funds as either member mote investments or equity subscriptions. The Fund did not hold any Member Subscriptions Payable balances as of December 31, 2018. The balance of the Member Subscriptions Payable balance at December 31, 2017 was $3.3 million.

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 8% per annum. The temporary note will convert to an equity subscription on the first day following the quarter end in which the funds were deployed. As of December 31, 2018, the Fund recorded a temporary note liability of $1.7 million. As of December 31, 2017, there were no outstanding temporary notes. All short-term notes at year end are converted to equity on the first day of the next year.

Member Notes Payable
The Fund also issues short-term and long-term member notes payable which accrue interest at 8% per annum with terms of 12, 24, or up 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 payable with remaining term of less than 12 months as of the end of the period are classified as short-term member notes payable on the Statement of Net Assets. Member notes payable 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. See the table below for the short-term and long-term member note payable balances as of December 31, 2018 and 2017:

(US$ in thousands)		**2018**		**2017**
Short-term member notes payable	$	250	$	-
Long-term member notes payable		1,069		124
Total Member Notes Payable	**$**	**1,319**	**$**	**124**

Future principal payments of mortgage loans and notes payable which are outstanding as of December 31, 2018 are as follows:

Years Ending December 31, *(US$ in thousands)*		
2019	$	250
2020		627
2021		442
Total	**$**	**1,319**

Note 7 - Mortgage Loans and Notes Payable

Mortgage loans and notes payable consists of the following as of December 31, 2018 and 2017 (at carrying value):

(US$ in thousands)	2018	2017
4.14% Mortgage Note Payable (Alturas Eagle Marketplace), due in monthly installments of $20,169 including interest, to October 2025, personally guaranteed by owners of the Manager and secured by the related real estate. No guarantee fee was charged.	$ 4,033	$ 4,108
4.26% Mortgage Note Payable (Alturas Westpark), due in monthly installments of $26,582 including interest, to February 2026, personally guaranteed by owners of the Manager and secured by the related real estate. No guarantee fee was charged.	5,129	5,228
3.87% Mortgage Note Payable (Alturas Treasure Valley), due in monthly installments of $16,177 including interest, to October 2026, personally guaranteed owners of the Manager and secured by the related real estate. No guarantee fee was charged. Loan was repaid in connection with related real estate sale.	-	2,593
4.33% Mortgage Note Payable (Alturas Mission Village), due in monthly installments of interest only payments through May 2018, followed by monthly installments of $18,845 including interest, to October 2019, personally guaranteed by owners of the Manager and the Company and secured by the related real estate. No guarantee fee was charged.	3,400	3,200
4.45% Mortgage Note Payable (Alturas 1444 Entertainment), due in monthly installments of $49,949 including interest, to September 2025, guaranteed by the Company and secured by the related real estate.	8,689	8,902
4.77% Mortgage Note Payable (Alturas 595 Washington), due in monthly installments of $3,171 including interest, to January 2027, personally guaranteed by owners of the Manager and the Company and secured by the related real estate. No guarantee fee was charged.	526	539
4.47% Mortgage Note Payable (Alturas Siete I), due in monthly installments of interest only payments through June 2019, followed by monthly installments of $29,915 including interest, to June 2027 secured by the related real estate.	5,925	5,925
4.57% Mortgage Note Payable (Alturas 1550 Tech Lane), due in monthly installments of $22,000 including interest, to August 2022, personally guaranteed by owners of the Manager and the Company and secured by the related real estate. No guarantee fee was charged.	3,790	3,875
Variable interest rate Tenant Improvement Loan Payable (Alturas 1550 Tech Lane), based on Wall Street Journal prime rate plus 0.50% (4.75% at December 31, 2018), due in monthly installments of interest only payments through August 2019, followed by monthly installments of $11,345 including interest calculated based on the Federal Home Loan Bank of Des Moines 3 Year Fixed Rate plus 2.40% to August 2022, with the remaining principle due in August 2022, secured by the related real estate and guaranteed by owners of the Manager. A guarantee fee of $20 thousand was charged.	857	-

Mortgage Loans and Notes Payable Continued *(US$ in thousands)*	**2018**	**2017**
4.26% Mortgage Note Payable (Alturas Adelmann), due in monthly installments of $7,693 including interest, to August 2027, personally guaranteed by owners of the Manager and the Company and secured by the related real estate. No guarantee fee was charged.	1,527	1,553
4.58% Mortgage Note Payable (Idaho DB One), due in monthly installments of $5,859 including interest, to December 2022, followed by monthly installments of $5,859 including interest calculated based on the Federal Home Loan Bank of Des Moines 5 Year Regular Fixed Rate Advance plus 2.25% to December 2027, personally guaranteed by owners of the Manager and the Company and secured by the related real estate. No guarantee fee was charged.	1,014	1,037
5.50% Construction Loan Payable (Alturas 12005 Meridian), due in monthly installments of interest only payments to May 2018, personally guaranteed by owners of the Manager and the Company and secured by the related real estate. Loan converted to a permanent loan in July 2018. No guarantee fee was charged. Loan was repaid in connection with related real estate sale.	-	1,520
Variable interest rate Mortgage Note Payable (Alturas Parkway Plaza), based on the Federal Home Loan Bank of Des Moines 3 Year Fixed Rate plus 2.45% (4.98% at December 31, 2018), due in monthly installments of $18,500 including interest, to February 2021, personally guaranteed by owners of the Manager and the Company and secured by the related real estate. No guarantee fee was charged.	3,094	-
4.65% Mortgage Note Payable (Alturas Country Club Manor), due in monthly installments of interest only payment to March 2020, followed by monthly installments of $43,757 including interest through March 2023, followed by monthly installments of $47,764 (based on a variable interest rate as determined by the 5 Year Long Term Fixed Rate Bullet rate as made available daily by the Federal Home Loan Bank of Des Moines plus 2.65%) to March 2028, secured by the related real estate.	6,300	-
Variable interest rate Mortgage Note Payable (Alturas 5804 Fairview), based on the Federal Home Loan Bank of Des Moines 5 Year Regular Fixed Rate plus 1.75% (4.76% as of December 31, 2918), due in monthly installments of $10,628 including interest, to August 2023, personally guaranteed by owners of the Manager and the Company and secured by the related real estate. A guarantee fee of $19 thousand was charged.	1,837	-
Variable interest rate Mortgage Note Payable (Alturas Cottonwood Plaza), based on the Federal Home Loan Bank of Des Moines 5 Year Regular Fixed Rate plus 2.35% (5.34% as of December 31, 2918), due in monthly installments of $20,943 including interest, to September 2023, personally guaranteed by owners of the Manager and the Company and secured by the related real estate. A guarantee fee of $40 thousand was charged.	3,422	-
5.15% Mortgage Note Payable (Alturas Siete II), due in monthly installments of $22,387 including interest, to January 2029, guaranteed by the Company and secured by the related real estate.	4,100	-
	53,643	38,480
Less debt issuance costs	(554)	(419)
Mortgage Loans and Notes Payable (less unamortized debt issue costs)	**$ 53,089**	**$ 38,061**

Future principal payments of mortgage loans and notes payable which are outstanding as of December 31, 2018 are as follows:

Years Ending December 31, *(US$ in thousands)*		
2019	$	4,234
2020		1,181
2021		4,171
2022		5,225
2023		5,783
Thereafter		33,049
Total	**$**	**53,643**

The tables above exclude the mortgage loan outstanding on 110 Main LLC 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. The mortgage balance on 110 Main LLC was $591 thousand as of December 31, 2018 with an interest rate of 5.63% and monthly payments of $3,756. On February 25, 2019, 110 Main LLC extended its loan with a new expiration date of December 10, 2019. At the time of the extension, the amount outstanding on the loan remained $592 thousand.

The Fund has various financial covenants relating to mortgage loans and notes payable. The most significant of these financial covenants include debt service coverage ratios, loan to value and liquidity covenants. As of December 31, 2018, the Fund and its properties were in compliance with its financial loan covenants.

Note 8 - Minimum Future Lease Revenues

As December 31, 2018, 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:

Years Ended December 31, (US$ in thousands)		
2019	$	9,175
2020		8,799
2021		7,657
2022		6,813
2023		5,680
Thereafter		17,645
Total	$	55,769

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 Company 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 $1,221 thousand in allocations of profits for the year ended December 31, 2018 and $1,950 thousand in allocations of profits for the year ended December 31, 2017.

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, 2018 and 2017.

(US$ in thousands)	Year ended December 31,			
		2018		2017
Beginning Loan Receivable Balance	$	2,742	$	2,038
Borrowings		3,765		5,170
Repayments		(3,984)		(4,466)
Ending Loans Receivable Balance	$	2,523	$	2,742
Interest income on loans receivable	$	479	$	526
Accrued interest income as of December 31	$	128	$	212
Maximimum Loan Receivable Balance During Fiscal Year	$	2,756	$	2,742

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 quarterly after the close of each quarter. 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, 2018 and 2017 are summarized below:

(US$ in thousands)	Year ended December 31,			
		2018		2017
Asset Management Fees	$	326	$	221
Performance Income	$	1,056	$	419

As of December 31, 2018, Asset Management Fees payable were $94 thousand and Performance Income payable was $143 thousand. As of December 31, 2017, Asset Management Fees payable were $70 thousand and Performance Income payable was $116 thousand.

Fees for Services Performed by the Manager
In addition, the Fund 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, 2018 and 2017 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 in cases where the Manager is able to provide excellent service. Property management services range from 3-6% depending on complexity. Included in property management services are accounting services provided to the Fund. 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 are at or below the amounts that a qualified outside party would charge to perform these services.

Project Management Services
The Fund primarily 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 0.5-1.5% of the loan value 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 the range is based primarily on the level of complexity and size of the loan among other factors.

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 hard 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 Origination 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 transaction with third parties for similar services.

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, etc. 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.

The table below summarizes the fees paid for these services for the years ended December 31, 2018 and 2017:

(US$ in thousands)	Year ended December 31,	
	2018	**2017**
Fees for Services Performed		
Property Management Services	$ 221	$ 122
Project Managment Services	64	-
Loan Brokerage Services	128	-
Due Dilligence Services	142	-
Lease Origination Services	99	32
Development Services	85	-
Total Fees for Services Performed	**$ 739**	**$ 154**

As of December 31, 2018 and 2017, amounts payable to the Manager for the fees for services performed were $160 thousand and $28 thousand, respectively.

Fund Expenses Paid by the Manager

From time to time, an affiliated entity paid fund expenses on behalf of the Fund (generally travel expenses) to be reimbursed at a later date. For the year ended December 31, 2018 and 2017 the Fund reimbursed $31 thousand and $43 thousand, respectively, for fund expenses paid by an affiliated entity. As of December 31, 2018 and 2017, the Fund owed $0 and $4 thousand, respectively, in reimbursement to the affiliated entity.

Other Related Party Transactions

A joint venture partner, the Broadbent Group, purchased the entity holding 12005 Deep Canyon from the Fund on September 30, 2017. The Fund carried a note of $700 thousand, which was repaid as of December 31, 2017; however, accrued interest of $34 thousand was outstanding as of December 31, 2017. As of December 31, 2018, all balances related to this transaction had been repaid.

A family member of one of the executives of the Manager is an attorney which the Company engaged to perform various legal services for the Fund and its properties. During the year ended December 31, 2018 and 2017, the Fund incurred a total of $73 thousand and $9 thousand of legal expenses, respectively to that attorney. As of December 31, 2018 and 2017, the Fund owed $6 thousand and $1 thousand, respectively to that attorney.

An executive of the Manager is a minority shareholder in a company which rents space from Alturas Parkway Plaza which was acquired in 2018. The Fund collected $12 thousand in rent from that company during the time the executive was employed by the Manager during 2018. As of December 31, 2018, Alturas Parkway Plaza had collected $4 thousand of prepaid rent from that tenant.

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 of the investors in the Fund. For the years ended December 31, 2018 and 2017, we incurred a total of $54 thousand and $43 thousand, respectively for these services. As of December 31, 2018 and 2017, the Fund owed $4 thousand at the end of each period to the fund administrator.

As disclosed in Note 7, certain owners of the Manager of the Fund have personally guaranteed mortgage loans. During 2018, guarantee fees of $79 thousand were paid to owners as further described in Note 7.

Note 11 - Financial Highlights

(US$ in thousands)	Year ended December 31, 2018	2017
PER UNIT OPERATING PERFORMANCE(*):		
Net Asset Value, Beginning of Period	$ 1,369	$ 1,244
INCOME FROM INVESTMENT OPERATIONS:		
Net investment income, before management fees	200	200
Net realized and unrealized gain on investments	81	126
Total from investment operations, before management fees	281	326
Less: Management fees	19	19
Total from investment operations	262	307
Distributions	(238)	(182)
Net Asset Value, End of Period	$ 1,394	$ 1,369
Total Return, before management fees, net of incentive allocation to manager (a):	28.99%	32.92%
Total Return, after management fees, net of incentive allocation to manager (a):	28.68%	31.30%
RATIOS / SUPPLEMENTAL DATA(*):		
Ratios to average net assets (b):		
Total expenses	26.30%	23.60%
Incentive allocation	5.85%	7.68%
Total expenses and incentive allocation	32.15%	31.28%
Net investment income (does not include net realized and unrealized gains)	17.66%	17.26%

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

(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

Sale of Idaho DB One

On January 2, 2019, Alturas Idaho DB One, LLC sold the Dutch Bros in Caldwell ID for $2.3 million which resulted in a $751 thousand gain net of transaction fees and commissions.

Acquisition of Alturas Decker Lake

On March 1, 2019, the Fund and two unaffiliated third parties acquired a 52 thousand square foot retail property located in West Valley City UT. This property is owned by Alturas Decker Lake, LLC and the Fund holds a 97.58% interest in that entity. The remaining interest is held by an unaffiliated third party. The total acquisition price was approximately $7.2 million. In connection with the purchase, Alturas Parkway Plaza, LLC incurred debt totaling $5.0 million. At the time of acquisition, the property was 70% occupied.

Close of Colorado DB One Loan
On March 11, 2019, Alturas Colorado DB One, LLC closed on a construction loan for the construction of a Dutch Bros in Colorado Springs CO. The capacity of the loan is $1.1 million, and it matures on March 10, 2020.

Acquisition of 4200 Hawthorne
On April 10, 2019, the Fund and an unaffiliated third party acquired a 78 thousand square foot office property located in Pocatello ID. This property is owned by 4200 Hawthorne LLC and the Fund holds a 50.10% interest in that entity. The remaining interest is held by an unaffiliated third party. The total acquisition price was approximately $11.6 million. In connection with the purchase, 4200 Hawthorne LLC incurred debt totaling $8.7 million. The property is a single tenant property and was fully occupied as of the date of the acquisition.

Acquisition of 7733 Emerald
On April 30, 2019, the Fund and an unaffiliated third party acquired a 4 thousand square foot office property located in Boise ID. This property is owned by 7733 Emerald, LLC and the Fund holds a 57.00% interest in that entity. The remaining interest is held by an unaffiliated third party. The total acquisition price was $520 thousand. In connection with the purchase, 7733 Emerald, LLC incurred debt totaling $380 thousand. The property is a single tenant property and was fully occupied as of the date of the acquisition.

The Fund has evaluated subsequent events through May 25, 2019, the date, which the financial statements were available to be issued.