ALTURAS
REAL ESTATE FUND

Consolidated Financial Statements | December 31, 2019 and 2018

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CONTENTS

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, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years ended December 31, 2019 and 2018, and the schedule of investments as of December 31, 2019 and 2018 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, 2019 and 2018, and the results of its operations and its cash flows for the years ended December 31, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has adopted the provisions of Financial Accounting Standards Board, Accounting Standards Updated 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* Accordingly, the December 31, 2018 statement of cash flows has been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

Eide Bailly LLP

Denver, Colorado
May 26, 2020

CONSOLIDATED STATEMENTS OF NET ASSETS

December 31, 2019 and 2018

(US$ in thousands)		**2019**		**2018**
ASSETS:				
Real Estate Investments - At Fair Value:				
Real Estate and Improvements (Cost of $120,627 and $78,196)	$	127,439	$	82,469
Unconsolidated Real Estate Joint Ventures (Cost of $342 and $249)		342		249
Loans Receivable (Cost of $2,878 and $2,523)		2,878		2,523
Cash and Cash Equivalents		1,300		1,690
Restricted Cash		515		397
Accrued Investment Income		75		128
Prepaid Expenses and Other Assets		1,356		595
Total Assets	**$**	**133,905**	**$**	**88,051**
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Mortgage Loans and Notes Payable (Less Unamortized Debt Issuance Costs of $966 and $544)	$	81,334	$	53,089
Members Subscription Payable		205		1,660
Member Notes Payable		8,722		1,319
Accrued Real Estate Expenses and Taxes		2,075		1,133
Accrued Incentive Fees		190		143
Accrued Expenses - Related Party		534		265
Member Distributions Payable		664		319
Other Liabilities		1,846		1,083
Total Liabilities		**95,570**		**59,011**
Commitments and Contingencies (Note 5)				
NET ASSETS:				
Alturas Real Estate Fund LLC Net Assets		33,896		26,708
Noncontrolling Interests		4,439		2,332
Net Assets	**$**	**38,335**	**$**	**29,040**

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2019 and 2018

(US$ in thousands)		2019		2018
INVESTMENT INCOME:				
Revenue from Real Estate	$	12,925	$	9,362
Interest Income on Loans Receivable		509		490
Total Revenues		**13,434**		**9,852**
EXPENSES:				
Real Estate Expenses and Taxes		4,011		2,700
Interest Expense		3,723		2,442
Administrative Expenses		422		390
Investment Management Fees		472		326
Total Expenses		**8,628**		**5,858**
Net Investment Income		**4,806**		**3,994**
Net Realized and Unrealized Gain:				
Net Realized Gain from Sale of Real Estate Investments		1,195		1,547
Net Unrealized Gain on Fair Value of Real Estate Investments		2,537		563
Net Realized and Unrealized Gain		**3,732**		**2,110**
Increase in Net Assets Resulting from Operations		**8,538**		**6,104**
Less: Portion Attributable to Noncontrolling Interests		(767)		(399)
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account		**7,771**		**5,705**
Amounts Attributable to Alturas Real Estate Fund LLC Account				
Net Investment Income		4,206		3,685
Net Realized and Unrealized Gain		3,565		2,020
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account	**$**	**7,771**	**$**	**5,705**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2019 and 2018

(US$ in thousands)	Sponsor/ Managing Member	Investor Members	Noncontrolling Interest	Total
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 in Net Assets Resulting from Capital Transactions	**(1,092)**	**692**	**520**	**120**
Incentive Allocation to Managing Member	1,221	(1,221)	-	-
Increase in Net Assets	233	5,072	919	6,224
Net Assets - December 31, 2018	**$ 1,868**	**$ 24,840**	**$ 2,332**	**$ 29,040**
From Operations:				
Net Investment Income	75	4,131	600	4,806
Net Realized and Unrealized Gain	58	3,507	167	3,732
Increase in Net Assets Resulting from Operations	**133**	**7,638**	**767**	**8,538**
From Capital Transactions:				
Contributions	-	5,041	1,823	6,864
Distributions	(970)	(4,654)	(483)	(6,107)
Increase in Net Assets Resulting from Capital Transactions	**(970)**	**387**	**1,340**	**757**
Incentive Allocation to Managing Member	1,708	(1,708)	-	-
Increase in Net Assets	871	6,317	2,107	9,295
Net Assets - December 31, 2019	**$ 2,739**	**$ 31,157**	**$ 4,439**	**$ 38,335**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

(US$ in thousands)	2019	2018
Cash Flows From Operating Activities:		
Net Increase in Net Assets Resulting from Operations	$ 8,538	$ 6,104
Adjustments to Reconcile Net Assets Resulting from Operations to		
Net Cash Flows from Operating Activities:		
Gain on Sale of Real Estate Investments	(1,195)	(1,547)
Unrealized Gain on Fair Value of Real Estate Investments	(2,537)	(563)
Interest Expense Attributable to Amortization of Debt Issuance Costs	176	185
Change in Assets and Liabilities:		
Accrued Investment Income	118	84
Prepaid Expenses and Other Assets	(761)	(144)
Accrued Real Estate Expenses and Taxes	942	304
Accrued Incentive Fees	47	26
Accrued Expenses - Related Party	269	(3)
Other Liabilities	763	632
Net Cash Flow Provided by Operating Activities	**6,360**	**5,078**
Cash Flows From Investing Activities:		
Capital Expenditures on Real Estate Investments	(17,631)	(13,257)
Proceeds from the Sale of Real Estate Investments	3,324	9,736
Equity Method Real Estate Investments	(93)	(39)
Funding of Loans Receivable	(5,397)	(3,765)
Principal Payments on Loans Receivable	5,042	3,984
Net Cash Flow (Used for) Investing Activities	**(14,755)**	**(3,341)**
Cash Flows From Financing Activities:		
Proceeds from Mortgage Loans and Notes Payable	4,401	3,011
Principal Payments on Mortgage Loans and Notes Payable	(2,676)	(6,685)
Payment of Debt Issuance Costs	(587)	(320)
Proceeds from Members Subscriptions	205	1,660
Proceeds from Issuance of Member Notes	7,800	1,194
Repayment of Member Notes	(200)	-
Contributions from Members	500	14
Contributions from Non-controlling Interests	1,823	920
Distributions to Members	(2,660)	(3,825)
Distributions to Non-controlling Interests	(483)	(400)
Net Cash Flow Provided by (Used for) Financing Activities	**8,123**	**(4,431)**
Net Change in Cash and Cash Equivalents	(272)	(2,694)
Cash and Cash Equivalents, At Inception	2,087	4,781
Cash and Cash Equivalents, End of Year	**$ 1,815**	**$ 2,087**

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)

Years ended December 31, 2019 and 2018

(US$ in thousands)		2019		2018
Supplemental Disclosure of Cash Flow Information				
Cash Payments for Interest	$	3,680	$	2,168
Supplemental Disclosure of Non-cash Investing and Financing Activities				
Mortgage Loans and Notes Payable Refinanced	$	3,341	$	3,225
Real Estate Investments Acquired Through Mortgage Loans and Notes Payable	$	26,931	$	18,835
Member Distributions Recorded as a Payable	$	664	$	319
Member Contributions Through Subscriptions Payable	$	1,660	$	3,275
Member Contributions Through Conversion of a Member Note	$	250	$	-
Member Contributions Through Reinvested Member Note Interest	$	12	$	-
Reinvested Member Note Interest	$	53	$	-
Reinvested Distributions	$	2,630	$	1,791

SCHEDULE OF INVESTMENTS

December 31, 2019 and 2018

(US$ in thousands) Investment	Ownership	City, State	FT² (000's) Unless Otherwise Indicated (Unaudited)	December 31, 2019 Cost Basis	December 31, 2019 Fair Value	December 31, 2018 Cost Basis	December 31, 2018 Fair Value
Real Estate and Improvements and Unconsolidated Real Estate Investments							
Retail							
Eagle Marketplace	CI - 100%	Eagle, Idaho	60,024	$ 5,481	$ 8,918	$ 5,458	$ 7,938
Mission Village	CI - 95.50%	Wenatchee, Washington	32,950	4,890	4,614	4,547	4,270
Idaho Dutch Bros One	CI - 95.00%	Caldwell, Idaho	874	-	-	1,405	2,156
Adelmann Building	CI - 90.44%	Boise, Idaho	15,419	2,210	2,210	2,195	2,195
Parkway Plaza	CI - 91.73%	Idaho Falls, Idaho	75,300	4,387	5,395	4,257	4,257
5804 Fairview	CI - 96.45%	Boise, Idaho	22,500	2,372	2,848	2,369	2,679
Dutch Bros Colorado Springs	CI - 100% *	Colorado Springs, Colorado	824	1,557	1,894	543	543
Eagle Island	CI - 81.10%	Meridian, Idaho	10,191	2,554	2,555	722	722
4200 Hawthorne	CI - 50.10%	Pocatello, Idaho	78,225	11,619	11,619	-	-
Decker Lake	CI - 97.58%	Salt Lake City, Utah	52,387	7,436	7,436	-	-
Sandcreek Plaza	CI - 100%	Idaho Falls, Idaho	35,903	3,406	3,406	-	-
Retail Total				45,912	50,895	21,496	24,760
% of Total Real Estate Investments				*37.07%*	*38.95%*	*26.55%*	*29.05%*
Industrial							
Westpark	CI - 80.00%	Boise, Idaho	117,510	6,452	6,714	6,439	6,700
595 Washington	CI - 88.52%	Twin Falls, Idaho	11,195	-	-	725	932
1550 Tech Lane	CI - 100%	Meridian, Idaho	108,081	7,433	8,194	6,854	6,854
Mountain Home	CI - 66.70%	Mountain Home, Idaho	30,478	1,424	1,424	-	-
Industrial Total				15,309	16,332	14,018	14,486
% of Total Real Estate Investments				*12.36%*	*12.50%*	*17.31%*	*16.99%*

*Upon construction completion and sale of the Colorado Springs Dutch Bros, our development partner will be entitled to 15.00% of the gain on the sale.

SCHEDULE OF INVESTMENTS (CONT.)

December 31, 2019 and 2018

(US$ in thousands) Investment	Ownership	City, State	FT² (000's) Unless Otherwise Indicated (Unaudited)	December 31, 2019 Cost Basis	December 31, 2019 Fair Value	December 31, 2018 Cost Basis	December 31, 2018 Fair Value
Office							
1444 Entertainment	CI - 95.01%	Boise, Idaho	78,572	$ 13,070	$ 13,611	$ 13,019	$ 13,560
110 Main	EMI - 40.00%	Boise, Idaho	6,420	342	342	249	249
Siete I	CI - 81.00%	Phoenix, Arizona	57,933	8,819	9,084	8,661	8,661
The Ashby on Osborn	CI - 86.79%	Phoenix, Arizona	89,167	11,935	11,935	10,899	10,899
Cottonwood Plaza	CI - 100%	Boise, Idaho	43,426	4,485	4,485	4,445	4,445
Siete II	CI - 90.00%	Phoenix, Arizona	53,936	5,948	5,948	5,658	5,658
7733 Emerald	CI - 57.00%	Boise, Idaho	4,424	559	559	-	-
The Presidio	CI - 100%	Colorado Springs, Colorado	81,222	12,822	12,822	-	-
2206 Whitley	CI - 100%	Fruitland, Idaho	16,000	1,768	1,768	-	-
Total Office				59,748	60,554	42,931	43,472
% of Total Real Estate Investments				*48.24%*	*46.35%*	*53.02%*	*51.00%*
Total Real Estate and Improvements and Unconsolidated Real Estate Investments				**120,969**	**127,781**	**78,445**	**82,718**
% of Total Real Estate Investments				*97.67%*	*97.80%*	*96.88%*	*97.04%*
Loans Receivable							
Loans to Affiliate	Loan		72 Units	2,818	2,818	2,523	2,523
Other Notes Receivable	Loan			60	60	-	-
Total Loans Receivable				**2,878**	**2,878**	**2,523**	**2,523**
% of Total Real Estate Investments				*2.33%*	*2.20%*	*3.12%*	*2.96%*
Total Real Estate Investments				**$ 123,847**	**$ 130,659**	**$ 80,968**	**$ 85,241**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

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 makes residential and commercial real estate investments. The Fund targets middle-market properties throughout the Intermountain West and Inland Northwest 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:

Entities Legal Name	Properties Name
110 Main LLC	110 Main
Alturas Eagle Marketplace, LLC	Eagle Marketplace
Alturas Westpark, LLC	Westpark
Alturas Treasure Valley Crossing, LLC	Treasure Valley Crossing
Alturas Mission Village, LLC	Mission Village
Alturas 1444 Entertainment, LLC	1444 Entertainment
Alturas 595 Washington, LLC	595 Washington
Idaho DB One, LLC	Idaho Dutch Bros One
Alturas 12005 Meridian, LLC	12005 Meridian
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
Colorado DB One, LLC	Dutch Bros Colorado Springs
Alturas 5804 Fairview, LLC	5804 Fairview
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	The Presidio
2206 Whitley, LLC	2206 Whitley
Alturas Sandcreek, LLC	Sandcreek Plaza
Alturas Mountain Home, LLC	Mountain Home

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 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 properties are carried at book balance, which is fair value. Properties owned are initially recorded at the purchase price plus closing costs. Development costs and major renovations are capitalized as a component of cost, and 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 consists of cash held at financial institutions. As of December 31, 2019 and 2018, the Company did not hold any cash equivalents. 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 Cash
Amounts classified as restricted represent cash held in escrow for tax, insurance, and other fees and expenses related to operating the Company's properties, as well as tenant security deposits. The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts shown in the statement of cash flows:

(US$ in Thousands)

	2019	2018
Cash and Cash Equivalents	$ 1,300	$ 1,690
Restricted Cash	515	397
Total Cash, Cash Equivalents, and Restricted Cash	$ 1,815	$ 2,087

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 Company manages exposure to changes in market interest rates through the use of derivative instruments. The Company's use of derivative instruments is limited to highly effective fixed for floating rate interest swap agreements. In accordance with ASC 815-10, "Derivatives and Hedging," the Company 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.

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, 2019 and 2018.

Net Realized and Unrealized Gain
Includes realized gains and losses from the sale of real estate investments and unrealized gains and losses on fair value of real estate investments. 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:

(US$ in Thousands)

	2019	2018
Realized Gain from Sale of Real Estate Investments	$ 1,195	$ 1,547
Net Current Year Unrealized Gain on Fair Value of Real Estate Investments	3,495	1,066
Less: Previously Recognized Unrealized Gains on Properties Sold During the Year	(958)	(503)
Net Unrealized Gain	$ 2,537	$ 563

New and Recently Adopted Accounting Pronouncements

On January 1, 2019, the Company adopted the provisions of Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash.* This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, by including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Retrospective application of the amendment is required. The Company has adopted this standard as management believes this presentation eliminates a diversity in practice in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"). ASU 2014-09 is intended to enable users of financial statements to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. The Company did not record any adjustments to current or prior period as a result of the adoption of this standard. Substantially all of the Company's revenue relates to leasing activities that are accounted for under ASC 840, Leases, and are therefore not subject to ASC 606. Regarding tenant reimbursement revenue the Company plans to elect the lessor practical expedient upon the effective date of ASU 2016-02, Leases, which for the Company will be for the year ended December 31, 2021. Under the expedient the Company anticipates combining the lease and non-lease components (tenant reimbursement revenue) and as such will account for the combined components under ASU 2016-02. On April 8, 2020, due to the Covid-19 outbreak discussed further in Note 12, the FASB approved a proposal to amend the effective date of ASU 2016-02 for one year. The Company is still evaluating whether it will delay the adoption of ASU 2016-02.

On January 1, 2019, the Company adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 610-20, *Other Income – Gains and Losses from Derecognition of Nonfinancial Assets*, which was issued as part of FASB's Accounting Standards Update 2014-19. These provisions clarify the scope of 610-20 and include guidance on partial sales of nonfinancial assets.

Change in Accounting Policy
As disclosed above in Note 2, the Company adopted the provisions of Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash as of January 1, 2019. Following is a summary of the effects of the change in accounting policy in the Company's December 31, 2018 statement of cash flows. 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.

(US$ in Thousands)	2018		
	As Previously Reported	Change in Accounting Principle	As Adjusted
Cash Flows From Investing Activities:			
Changes in Restricted Deposits and Funded Reserves	63	(63)	-
Net Cash Flow (Used For) Investing Activities:	(3,278)	(63)	(3,341)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(2,631)	(63)	(2,694)
Cash, Cash Equivalents, and Restricted Cash, Beginning of the Year	4,321	460	4,781
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 1,690	$ 397	$ 2,087

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 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 Account 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 table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of December 31, 2019 and 2018:

(US$ in Thousands)	2019			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
Real Estate and Improvements	$ -	$ -	$ 127,439	$ 127,439
Real Estate Joint Ventures	-	-	342	342
Loans Receivable	-	-	2,878	2,878
	$ -	**$ -**	**$ 130,659**	**$ 130,659**
	2018			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
Real Estate and Improvements	$ -	$ -	$ 82,469	$ 82,469
Real Estate Joint Ventures	-	-	249	249
Loans Receivable	-	-	2,523	2,523
	$ -	**$ -**	**$ 85,241**	**$ 85,241**

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, 2019 and 2018:

(US$ in Thousands)	**Real Estate and Improvements**	**Unconsolidated Real Estate Joint Ventures**	**Loans Receivable**	**Total Level 3 Investments**
Beginning Balance, January 1, 2018	**$ 57,998**	**$ $210**	**$ 2,742**	**$ 60,950**
Real Estate Acquisitions	28,122	39	-	28,161
Real Estate Improvements	3,975	-	-	3,975
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**
Real Estate Acquisitions	37,229	93	-	37,322
Real Estate Improvements	7,333	-	-	7,333
Net Proceeds from Sale of Real Estate Investments*	(3,324)	-	-	(3,324)
Principal Payments Received	-	-	(5,042)	(5,042)
Funding of Loans	-	-	5,397	5,397
Total Realized Gain on Sale of Real Estate Investments	1,195	-	-	1,195
Total Unrealized Gain on Real Estate Investment	2,537	-	-	2,537
Ending Balance, December 31, 2019	**$ 127,439**	**$ 342**	**$ 2,878**	**$ 130,659**

* 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 are made in the fair value 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, 2019 and 2018.

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, 2019 and 2018, respectively:

Period/Valuation Methodology	Fair Value	Unobservable Inputs	Range of Significant Input Value	Weighted Average
2019				
Acquisition Price	$ 66,167	N/A	N/A	N/A
Contracted Sales Price	-	N/A	N/A	N/A
Single Period Capitilization Method	61,272	Capitalization Rate	5.50% to 8.75%	8.02%
Total Real Estate and Improvements	$ 127,439			
2018				
Acquisition Price	$ 44,234	N/A	N/A	N/A
Contracted Sales Price*	2,156	N/A	N/A	N/A
Single Period Capitilization 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

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 as of December 31, 2019 and 2018, 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). The Company 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, 2019 and 2018 no allowance for uncollectible amounts was recorded.

NOTE 4 - NEW REAL ESTATE INVESTMENTS AND DIVESTITURES

New Investments During 2019

The following were the real estate investments made by the Fund during the year ended December 31, 2019 (see also the Schedule of Investments for further detail):

Acquisition of Decker Lake

On March 1, 2019, the Fund and two unaffiliated third parties acquired a 52 thousand square foot retail property located in Salt Lake 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 two unaffiliated third parties. The total acquisition price was approximately $7.2 million. In connection with the purchase, Alturas Decker Lake, LLC incurred debt totaling $5.0 million. At the time of acquisition, the property was 70% occupied.

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 $0.5 million. In connection with the purchase, 7733 Emerald, LLC incurred debt totaling $0.4 million. The property is a single tenant property and was fully occupied as of the date of the acquisition.

Acquisition of Presidio

On July 31, 2019, the Fund acquired an 81 thousand square foot Class A office building located in Colorado Springs, CO. This property is owned by Alturas Presidio, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately $12.3 million. In connection with the purchase, Alturas Presidio, LLC incurred debt totaling $9.1 million. The property is a multi-tenant property and was 89% occupied as of the date of the acquisition.

Acquisition of 2206 Whitley

On August 2, 2019, the Fund acquired a 16 thousand square foot retail center located in Fruitland, ID. This property is owned by 2206 Whitley, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately $0.8 million. In connection with the purchase, 2206 Whitley, LLC incurred debt totaling $0.3 million. The property is a single tenant property and was vacant as of the date of the acquisition. The property has undergone extensive remodeling to be converted into a call center for a large national company and was fully leased as of December 2019. Additional costs of $1.0 million and debt of $0.7 million were added to the property as a result of this remodeling activity.

Acquisition of Sandcreek Plaza
On August 19, 2019, the Fund acquired a 36 thousand square foot retail center located in Idaho Falls, ID. This property is owned by Alturas Sandcreek, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately $3.3 million. In connection with the purchase, Alturas Sandcreek, LLC incurred debt totaling $2.4 million. The property is a multi-tenant property and was fully occupied as of the date of the acquisition.

Acquisition of Mountain Home
On November 15, 2019 the Fund and an unaffiliated third party acquired a 30 thousand square foot office and warehouse building located in Mountain Home, ID. The property is owned by Alturas Mountain Home, LLC and the Fund holds a 66.70% interest in that entity. The remaining interest is held by the tenant that occupies this property. The total acquisition price was approximately $1.4 million. In connection with the purchase, Alturas Mountain Home, LLC incurred debt totaling $0.9 million. The property is a single tenant property and was fully occupied as of the date of the acquisition. This property is subject to a repurchase agreement whereby the tenant will repurchase the property from the Company no later than five years from the date of this acquisition at a predetermined purchase price.

Real Estate Divestitures During 2019
The following were the real estate divestitures made by the Fund during the year ended December 31, 2019:

Idaho Dutch Bros One
On April 28, 2017, the Fund and an unaffiliated third party acquired land for a development project to construct a Dutch Bros in Caldwell, ID. This property was owned by Idaho DB One, LLC and the Fund owned 95.00% of Idaho DB One, LLC. The remaining interest was owned by the unaffiliated development partner. The purchase price of the land was approximately $0.6 million. Additional development costs of the project totaled $0.8 million. The building was placed into service in November 2017. On January 2, 2019, Idaho DB One, LLC sold the property for $2.3 million which resulted in a $0.8 million gain net of transaction fees and commissions.

595 Washington
On December 23, 2016, the Fund and two unaffiliated third parties acquired an 11 thousand square foot industrial building in Twin Falls, Idaho This property was owned by Alturas 595 Washington, LLC and the Fund owned 88.52% of Alturas 595 Washington, LLC. The remaining interest was owned by two unaffiliated third parties. The purchase price of the building was approximately $0.7 million including transaction costs, which was funded with $0.5 million of debt and $0.2 million of equity contributions from the partnership. On June 17, 2019, Alturas 595 Washington, LLC sold the property for $1.3M which resulted in a $0.4 million gain net of transactions fees and commissions.

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):

On February 13, 2018, the Fund formed Alturas Parkway Plaza, LLC, to acquire a 75 thousand square foot retail property located in Idaho Falls, ID. The Fund owns 91.73% of Alturas Parkway Plaza, LLC.

On March 28, 2018, the Fund formed Alturas Country Club Manor, LLC to acquire a 89 thousand square foot office property located in Phoenix, AZ. The Fund owns 86.79% of Alturas Country Club Manor, LLC.

On August 14, 2018 the Fund formed Alturas 5804 Fairview, LLC, to acquire a 23 thousand square foot vacant retail property located in Boise, ID. The Fund owns 96.45% of Alturas 5804 Fairview, LLC.

On August 31, 2018, the Fund formed Colorado DB One, LLC to acquire a 0.9-acre lot for the purpose of constructing an 824 square foot Dutch Bros in Colorado Spring, CO. The Fund owns 100.00% of Colorado DB One, LLC. 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.

On September 6, 2018, the Fund formed Alturas Cottonwood Plaza, LLC to acquire a 43 thousand square foot office property located in Boise, ID. The Fund owns 100.00% of Alturas Cottonwood Plaza, LLC.

On October 15, 2018, the Fund formed Alturas Eagle Island, LLC to acquire a retail pad for the purpose of constructing a 10 thousand square foot retail property located in Meridian, ID. The Fund owns 81.10% of Alturas Eagle Island, LLC.

On December 21, 2018, the Fund formed Alturas Siete II, LLC to acquire a 54 thousand square foot office property located in Phoenix AZ. The Fund owns 90.00% of Alturas Siete II, LLC.

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

On September 26, 2016, the Fund formed Alturas Treasure Valley Crossing, LLC to acquire a 21 thousand square foot retail property located in Nampa, ID. The Fund owned 95.63% of Alturas Treasure Valley Crossing, LLC. The property was sold on August 31, 2018.

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. The property was sold on November 28, 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 thousand square foot office building in Boise, Idaho. The purchase price was $0.3 million. The building was a historic home that has been renovated for office use. The cost of that renovation through December 31, 2019, was approximately $1.5 million which has been funded with $0.6 million of debt and $0.9 million of equity contributions from the Partnership: $0.4 million from the Fund and $0.5 million from an unaffiliated third-party. During 2018, an additional $0.3 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, 2019 and 2018:

(US$ in Thousands)		**2019**		**2018**
Cash and Cash Equivalents	$	12	$	31
Real Estate and Improvements		1,488		1,170
Mortgage Loans		(582)		(591)
Other Liabilities		(65)		-
Net Assets	$	853	$	610
AREF's Share of Real Estate Joint Venture Net Assets	$	342	$	249

There were no revenues or expenses during the years ended December 31, 2019 and 2018.

At December 31, 2019, 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 Company's maximum exposure to loss as of December 31, 2019 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

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 Company 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 Company. 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 note investments or equity subscriptions. The Company did not hold any pending equity subscriptions balances as of December 31, 2019 and December 31, 2018. The Company held pending note subscriptions of $125 and $0 thousand as of December 31, 2019 and December 31, 2018, respectively which are reflected in the Member Subscriptions Payable account.

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 temporary note matures. As of December 31, 2019, the Fund recorded a temporary note liability of $80 thousand. As of December 31, 2018, the Fund recorded a temporary note liability of $1.7 million. All short-term notes at year end are converted to equity on the first day of the next year.

Member Notes

The Fund also issues short-term and long-term member notes 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 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. See the table below for the short-term and long-term member note balances as of December 31, 2019 and 2018:

(US$ in Thousands)		**2019**		**2018**
Short-Term Member Notes	$	6,495	$	250
Long-Term Member Notes		2,227		1,069
Total Member Notes	**$**	**8,722**	**$**	**1,319**

Future principal payments of mortgage loans and notes payable which are outstanding as of December 31, 2019 are as follows:

Years Ending December 31, *(US$ in Thousands)*		
2020	$	6,495
2021		1,827
2022		300
2023		100
Total	**$**	**8,722**

NOTE 7 - MORTGAGE LOANS AND NOTES PAYABLE

Mortgage loans and notes payable consists of the following as of December 31, 2019 and 2018 (at carrying value):

(US$ in Thousands)		**2019**		**2018**
4.14% Mortgage Note Payable (Alturas Eagle Marketplace, LLC), due in monthly installments of $20,169 including interest, to October 2025, guaranteed by related parties and secured by the related real estate. No guaranty fee was charged.	$	3,957	$	4,033
4.26% Mortgage Note Payable (Alturas Westpark, LLC), due in monthly installments of $26,582 including interest, to February 2026, guaranteed by related parties and secured by the related real estate. No guaranty fee was charged.		5,027		5,129
4.33% Mortgage Note Payable (Alturas Mission Village, LLC), 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 guaranty fee was charged. Loan was refinanced in October 2019 with a variable interest rate Mortgage Note Payable, based on one-month LIBOR plus a 255 basis point spread (4.27% at December 31,2019), due in monthly installments of principle payments of $5,010 through October 2020 with interest based on LIBOR following the schedule of principal payments per the agreement with interest based on LIBOR to October 2024, guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.		3,420		3,400
4.45% Mortgage Note Payable (Alturas 1444 Entertainment, LLC), due in monthly installments of $49,949 including interest, to September 2025, guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.		8,489		8,689
4.77% Mortgage Note Payable (Alturas 595 Washington, LLC), due in monthly installments of $3,171 including interest, to January 2027, guaranteed by a related party and the Company and secured by the related real estate. Loan was repaid in connection with related real estate sale.		-		526

Mortgage Loans and Notes Payable Continued *(US$ in thousands)*	**2019**	**2018**
4.47% Mortgage Note Payable (Alturas Siete I, LLC), 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.	$ 5,880	$ 5,925
4.57% Mortgage Note Payable (Alturas 1550 Tech Lane, LLC), due in monthly installments of $22,000 including interest, to August 2022, guaranteed by related party and the Company and secured by the related real estate. No guaranty fee was charged.	3,699	3,790
Variable interest rate Tenant Improvement Loan Payable, based on Wall Street Journal prime rate plus 0.50% (5.25% at December 31, 2019) (Alturas 1550 Tech Lane, LLC), 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. A guaranty fee of $20 thousand was charged.	1,191	857
4.26% Mortgage Note Payable (Alturas Adelmann, LLC), due in monthly installments of $7,693 including interest, to August 2027, guaranteed by related parties and the Company and secured by the related real estate. No guaranty fee was charged.	1,499	1,527
4.58% Mortgage Note Payable (Idaho DB One, LLC), 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, guaranteed by related party and the Company and secured by the related real estate. No guaranty fee was charged. Loan was repaid in connection with related real estate sale.	-	1,014
4.98% Mortgage Note Payable (Alturas Parkway Plaza, LLC), due in monthly installments of $18,502 including interest, to February 2021, guaranteed by a related party and the Company and secured by the related real estate. Interest rate is subject to change each 3 years based on the Federal Home Loan Bank of Des Moines 3 Year Regular Fixed Rate plus 2.45%. No guaranty fee was charged.	3,027	3,094
4.65% Mortgage Note Payable (Alturas Country Club Manor, LLC), 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. No guaranty fee was charged.	7,047	6,300
4.76% Mortgage Note Payable (Alturas 5804 Fairview, LLC), due in monthly installments of $10,628 including interest, to August 2023, guaranteed by a related party and the Company and secured by the related real estate. A guaranty fee of $19 thousand was charged by a related party in 2018 in connection with the origination of this loan. Interest rate is subject to change each 5 years based on the Federal Home Loan Bank of Des Moines 5 Year Regular Fixed Rate plus 1.75%.	1,797	1,837
5.34% Mortgage Note Payable (Alturas Cottonwood Plaza, LLC), due in monthly installments of $20,943 including interest, to September 2023, guaranteed by a related party and the Company and secured by the related real estate. Interest rate is subject to change each 5 years based on the Federal Home Loan Bank of Des Moines 5 Year Regular Fixed Rate plus 2.35%. A guaranty fee of $40 thousand was charged.	3,354	3,422
5.15% Mortgage Note Payable (Alturas Siete II, LLC), due in monthly installments of $22,387 including interest, to January 2029, guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.	4,049	4,100

Mortgage Loans and Notes Payable Continued *(US$ in thousands)*	**2019**	**2018**
Variable interest rate Construction Loan, based on one month LIBOR plus a 3% spread (4.69% as of December 31, 2019) (Colorado DB One, LLC), due in monthly installments of interest only payments to March 2020, guaranteed by related parties and Company and secured by the related real estate. In March 2020 the Company agreed with the lender to extend the loans maturity date to June 2020. A guaranty fee of $11 thousand was charged in 2019 in connection with the origination of this loan.	$ 963	$ -
Variable interest rate Construction Loan, based on daily LIBOR plus a 2.40% spread (4.21% as of December 31, 2019) (Alturas Eagle Island, LLC), due in monthly installments of interest only payments to October 2021, guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.	1,503	-
5% Mortgage Note Payable (Alturas Decker Lake, LLC), due in monthly installments of $29,673 including interest, to February 2024, guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.	4,952	-
5% Tenant Improvement Loan (Alturas Decker Lake, LLC), due in monthly installments of interest only payments to September 2020, followed by monthly installments of principal and interest payments of $3,017 each to February 2024, guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.	84	-
4.74% Mortgage Note Payable (Alturas 4200 Hawthorne, LLC), due in monthly installments of $49,593 including interest, to May 2026, guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.	8,584	-
5.02% Mortgage Note Payable (7733 Emerald, LLC), due in monthly installments of $2,247 including interest, to May 2024, followed by monthly installments of $2,247 including interest calculated based on the Federal Home Loan Bank of Des Moines 5 Year Regular Fixed Rate Advance plus 2.35% to May 2029, guaranteed by related party and the Company and secured by the related real estate. No guaranty fee was charged.	376	-
Variable interest rate, Mortgage Note Payable, based on the LIBOR rate as shown by Reuters (3.72% at December 31, 2019) (Alturas Presidio, LLC), due in monthly installments of principle payments of $13,196 through August 2020, with interest based on LIBOR following the schedule of principal payments per the agreement with interest based on LIBOR to July 2026, guaranteed the Company and secured by the related real estate. No guaranty fee was charged.	9,084	-
Variable interest rate Mortgage Note Payable, based on the Wall Street Journal Prime plus 0.25% (5.50% as of December 31, 2019) (2206 Whitley, LLC), due in monthly installments of interest only payments to February 2020, followed by monthly installments of $7,924 including interest calculated based on the Federal Home Loan Bank of Des Moines 7-year Regular Fixed Rate plus 2.35% to February 2030. Interest rate is subject to change each 5 years based on the Federal Home Loan Bank of Des Moines 7 Year Regular Fixed Rate plus 2.35%. Guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.	1,013	-
4.24% Mortgage Note Payable (Alturas Sandcreek, LLC), due in monthly installments of $12,971 including interest, to August 2029, guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.	2,361	-
5.49% Mortgage Note Payable (Alturas Mountain Home, LLC), due in monthly installments of $6,538 including interest, to November 2024, guaranteed by the Company and secured by the related real estate. No guaranty fee was charged.	944	-
	82,300	53,643
Less debt issuance costs	(966)	(554)
Mortgage Loans and Notes Payable (Less Unamortized Debt Issue Costs)	**$ $81,334**	**$ $53,089**

Future principal payments of mortgage loans and notes payable which are outstanding as of December 31, 2019 are as follows:

Years Ending December 31, *(US$ in Thousands)*		
2020	$	2,567
2021		6,366
2022		6,395
2023		6,453
2024		9,961
Thereafter		50,558
Total	**$**	**82,300**

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 1.45%. The swap agreement, which requires paying and settling monthly, effectively converted $3,535,000 of floating rate debt to fixed rate debt. The net additional interest payments made or received under this swap agreement is recognized in interest expense. The swap agreement terminates October 4, 2024. For the years ended December 31, 2019 and 2018, Alturas Mission Village, LLC decreased its interest expense by $2.7 thousand and $0, respectively, as a result of this swap agreement with KeyBank.

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 1.95%. The swap agreement, which requires paying and settling monthly, effectively converted $9,150,000 of floating rate debt to fixed rate debt. The net additional interest payments made or received under this swap agreement is recognized in interest expense. The swap agreement terminates July 31, 2026. For the years ended December 31, 2019 and 2018, Alturas Presidio, LLC decreased its interest expense by $2.1 thousand and $0, respectively, as a result of this swap agreement with KeyBank.

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. The mortgage balance on 110 Main was $582 thousand as of December 31, 2019 with an interest rate of 4.79% and monthly payments of $3,756. On February 10, 2020, 110 Main LLC extended its loan with a new expiration date of February 15, 2030. At the time of the extension, the amount outstanding on the loan was increased to $875 thousand.

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, 2019, the Fund and its properties were in compliance with the applicable loan covenants.

NOTE 8 - MINIMUM FUTURE LEASE REVENUES

As of December 31, 2019, 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 Ending December 31, *(US$ in Thousands)*		
2020	$	14,993
2021		14,512
2022		12,302
2023		10,762
2024		8,800
Thereafter		19,255
Total	**$**	**80,624**

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 $970 thousand in allocations of profits for the year ended December 31, 2019 and $1,056 thousand in allocations of profits for the year ended December 31, 2018.

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, 2019 and 2018.

(US$ in Thousands)	Year Ended December 31,			
		2019		**2018**
Beginning Loan Receivable Balance	$	2,523	$	2,742
Borrowings		5,337		3,765
Repayments		(5,042)		(3,984)
Ending Loans Receivable Balance	$	2,818	$	2,523
Interest income on loans receivable	$	492	$	479
Accrued interest income as of December 31	$	75	$	128
Maximum Loan Receivable Balance During the Fiscal Year	$	3,018	$	2,756

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, 2019 and 2018 are summarized below:

(US$ in Thousands)	Year Ended December 31,			
		2019		**2018**
Asset Management Fees	$	472	$	326
Performance Income	$	970	$	1,056

As of December 31, 2019, Asset Management Fees payable were $133 thousand and Performance Income payable was $190 thousand. As of December 31, 2018, Asset Management Fees payable were $94 thousand and Performance Income payable was $143 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, 2019 and 2018 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, 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 sufficiently provide service.

Property management services range from 3-6% of collections paid monthly 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. 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% of total project cost 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 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 actual 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% of the total lease revenue 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, 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% of total project cost depending on the complexity of the project.

The table below summarizes the fees paid for these services for the years ended December 31, 2019 and 2018:

(US$ in Thousands)	Year Ended December 31,	
	2019	**2018**
Fees for Services Performed		
Property Management Services	$ 320	$ 221
Project Management Services	37	64
Loan Brokerage Services	184	128
Due Diligence Services	74	142
Lease Brokerage Services	125	99
Development Services	100	85
Total Fees for Services Performed	$ 840	$ 739

As of December 31, 2019 and 2018, amounts payable to the Manager for the fees for services performed were $324 thousand and $160 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, 2019 and 2018, the Fund reimbursed $13 thousand and $31 thousand, respectively, for Fund expenses paid by an affiliated entity. As of December 31, 2019 and 2018, the Fund owed $1 thousand and $0 thousand, respectively, in reimbursement to the affiliated entity.

Other Related Party Transactions
A family member of one of the executives of the Manager is an attorney whom the Company engaged to perform various legal services for the Fund and its properties. During the year ended December 31, 2019 and 2018, the Fund incurred a total of $99 thousand and $73 thousand of legal expenses, respectively to that attorney. As of December 31, 2019 and 2018, the Fund owed $28 thousand and $6 thousand, respectively to that attorney.

An executive of the Manager is a minority shareholder in a company which rents space from Alturas Parkway Plaza, LLC which was acquired in 2018. As of December 31, 2019 and 2018 the Fund collected $42 thousand and $12 thousand in rent from that company during the time the executive was employed by the Manager. As of December 31, 2019 and 2018, Alturas Parkway Plaza, LLC had collected $4 thousand of prepaid rent each year 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, 2019 and 2018, the Fund incurred a total of $60 thousand and $54 thousand, respectively for these services. As of December 31,2019 and 2018, the Fund owed $6 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 the year ended December 31, 2019 and 2018, guarantee fees of $11 thousand and $79 thousand were paid to related parties.

A non-controlling owner of three of the Fund's properties performs various services for the three properties in which he holds an ownership interest such as project management services and lease brokerage services. As of December 31, 2019, amounts payable to that owner for services performed was $41 thousand.

In 2019 two executives of the Manager invested in the Fund. Their temporary note balance as of December 31, 2019 was $45 thousand. As of January 1, 2020, the combined equity balance of executives and Alturas Capital (partial owner of the manager) investing in the Fund was $0.6 million.

NOTE 11 - FINANCIAL HIGHLIGHTS

(US$ in Thousands)	Year Ended December 31,	
	2019	**2018**
PER UNIT OPERATING PERFORMANCE(*):		
Net Asset Value, Beginning of Period	$ 1,394	$ 1,369
INCOME FROM INVESTMENT OPERATIONS:		
Net Investment Income, Before Management Fees	191	200
Net Realized and Unrealized Gain on Investments	118	81
Total from Investment Operations, Before Management Fees	309	281
Less: Management Fees	22	19
Total from Investment Operations	287	262
Distributions	(221)	(238)
Net Asset Value, End of Period	$ $1,459	$ 1,394
Total Return, Before Management Fees, Net of Incentive Allocation to Manager (a):	*27.79%*	*28.99%*
Total Return, After Management Fees, Net of Incentive Allocation to Manager (a):	*27.51%*	*28.68%*

NOTE 11 - FINANCIAL HIGHLIGHTS (CONT.)

RATIOS / SUPPLEMENTAL DATA(*):	Year Ended Decmber 31, 2019	2018
Ratios to Average Net Assets (b):		
Total Expenses	28.47%	26.30%
Incentive Allocation	6.44%	5.85%
Total Expenses and Incentive Allocation	34.91%	32.15%
Net Investment Income (Does Not Include Net Realized and Unrealized Gains)	15.86%	17.66%

(*) 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

Acquisition of Centennial Tech Center
On February 5, 2020, the Fund acquired a property that consists of two single-story office buildings totaling 110 thousand square feet located in Colorado Springs, CO. The property is owned by Alturas Centennial Tech Center, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately $15.0 million. In connection with the purchase, Alturas Centennial Tech Center, LLC incurred debt totaling $11.2 million. The property is a multi-tenant property and was fully leased as of the date of the acquisition.

Acquisition of 297 Wycoff
On February 21, 2020 the Fund and an unaffiliated third party 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 holds an 85.93% interest in that entity. The remaining interest is held by an unaffiliated third party. The total acquisition price was approximately $2 million. In connection with the purchase, 297 Wycoff, LLC incurred debt totaling $1.2 million. The property is a single tenant property and was 97% leased as of the date of the acquisition.

Sale of Parkway Plaza
On May 22, 2020, Alturas Parkway Plaza, LLC sold a portion of Parkway Plaza for $1.7 million.

Extension of Colorado DB One, LLC's Construction Loan
In March 2020 the Company agreed with the lender to extend Colorado DB One, LLC's construction loan maturity date from March 2020 to June 2020.

Covid-19
Beginning in early 2020, the Covid-19 global pandemic began causing severe disruption to global equity and real estate markets, including the markets in which the Fund owns property. As of the date of these financial statements, the full impact of the pandemic on the Fund and its properties has not been determined. However, impacts of the pandemic identified thus far include: stay at home orders which have limited retail traffic and usage of office and industrial facilities, consumer spending has decreased significantly in many sectors, and business investment and spending has decreased significantly. The impacts of the pandemic have been somewhat mitigated by various factors such as government assistance, including the Paycheck Protection Program provided through the CARES Act, which has provided needed funding to many of the Fund's tenants; governmental regulation has provided relief through easing of lending restrictions on loan deferments and modifications; and low interest rates have provided opportunities throughout the portfolio to modify loan interest rates particularly on stabilized property.

The Fund has evaluated subsequent events through May 31, 2020, the date, which the financial statements were available to be issued.