

ALTURAS

REAL ESTATE FUND

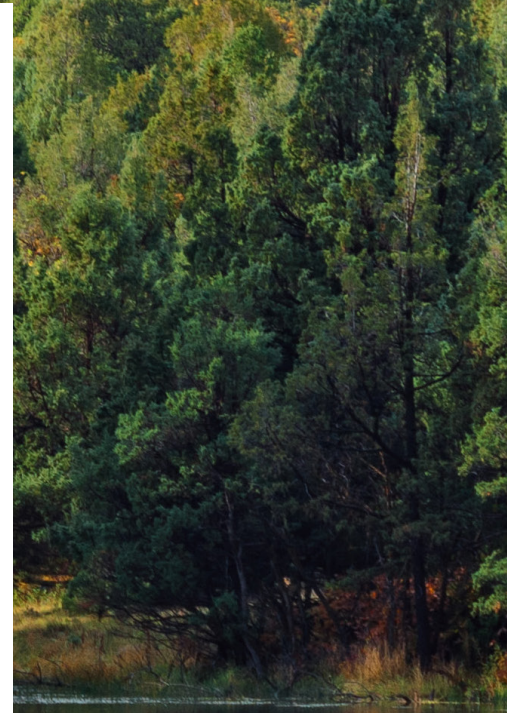
Consolidated Financial Statements | December 31, 2023 and 2022
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Independent Auditor's Report

To the Members
Alturas Real Estate Fund LLC
Boise, Idaho

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Alturas Real Estate Fund LLC, which comprise the consolidated statements of net assets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the consolidated schedules of investments as of December 31, 2023 and 2022 and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Alturas Real Estate Fund LLC as of December 31, 2023 and 2022, and the results of their operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Eide Bailly LLP

Denver, Colorado

May 9, 2024

CONSOLIDATED STATEMENTS OF NET ASSETS

December 31, 2023 and 2022

	2023	2022
	<i>(US \$ in thousands)</i>	
ASSETS:		
Real estate investments - at fair value:		
Real estate and improvements (cost of \$556,979 and \$476,243)	\$ 578,473	\$ 496,891
Unconsolidated real estate investments (cost of \$8 and \$307)	8	307
Loans receivable (cost of \$2,288 and \$4,034)	2,288	4,034
Cash and cash equivalents	13,075	13,111
Restricted cash	1,561	4,856
Accrued investment income	76	361
Prepaid expenses and other assets	2,637	2,377
Total Assets	\$ 598,118	\$ 521,937
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Mortgage loans and notes payable (less unamortized debt issuance costs of \$5,112 and \$4,381)	\$ 359,953	\$ 314,604
Members subscription payable and temporary notes	18,899	19,507
Member notes payable	7,035	2,696
Revolving line of credit	210	-
Accrued real estate expenses and taxes	8,915	7,152
Accrued incentive fees	820	789
Accrued expenses - related party	1,510	1,774
Member distributions payable	3,023	1,513
Other liabilities	8,898	11,020
Total Liabilities	\$ 409,263	\$ 359,055
Commitments and Contingencies (Note 5)		
NET ASSETS:		
Alturas Real Estate Fund LLC net assets	172,383	148,377
Noncontrolling interests	16,472	14,505
Net Assets	\$ 188,855	\$ 162,882

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2023 and 2022

	2023	2022
	<i>(US \$ in thousands)</i>	
INVESTMENT INCOME:		
Revenue from real estate	\$ 65,060	\$ 58,865
Interest Income	765	752
Total Investment Income	65,825	59,617
EXPENSES:		
Real estate expenses and taxes	24,399	20,461
Interest expense	15,237	15,398
Administrative expenses	2,048	2,019
Investment management fees	2,436	2,114
Total Expenses	44,120	39,992
Net Investment Income	21,705	19,625
Net Realized and Unrealized Gain:		
Net realized gain from sale of real estate investments	2,127	312
Net unrealized gain on fair value of real estate investments	845	8,328
Net realized and unrealized gain	2,972	8,640
Increase in Net Assets Resulting from Operations	24,677	28,265
Less: Portion Attributable to Noncontrolling Interests	(2,895)	(3,229)
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account	21,782	25,036
Amounts Attributable to Alturas Real Estate Fund LLC Account		
Net Investment Income	19,955	17,899
Net Realized and Unrealized Gain	1,827	7,137
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account	\$ 21,782	\$ 25,036

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2023 and 2022

	Sponsor/ Managing Member	Investor Members	Noncontrolling Interest	Total
	<i>(US \$ in thousands)</i>			
Net Assets - December 31 - 2021	\$ 4,790	\$ 71,501	\$ 9,279	\$ 85,570
From Operations:				
Net investment income	109	17,788	1,728	19,625
Net realized and unrealized gain	56	7,083	1,501	8,640
Increase in net assets resulting from operations	165	24,871	3,229	28,265
From Capital Transactions:				
Contributions	-	66,385	5,013	71,398
Distributions	(4,243)	(15,092)	(3,016)	(22,351)
Increase in net assets resulting from capital transactions	(4,243)	51,293	1,997	49,047
Incentive allocation to managing member	5,031	(5,031)	-	-
Increase in Net Assets	953	71,131	5,226	77,312
Net Assets - December 31, 2022	\$ 5,743	\$ 142,634	\$ 14,505	\$ 162,882
From Operations:				
Net investment income	-	19,955	1,750	21,705
Net realized and unrealized gain	-	1,827	1,145	2,972
Increase in net assets resulting from operations	-	21,782	2,895	24,677
From Capital Transactions:				
Contributions	-	31,135	1,119	32,254
Distributions	(2,888)	(26,023)	(2,047)	(30,958)
Increase in net assets resulting from capital transactions	(2,888)	5,112	(928)	1,296
Incentive allocation to managing member	2,976	(2,976)	-	-
Increase in Net Assets	88	23,918	1,967	25,973
Net Assets - December 31, 2023	\$ 5,831	\$ 166,552	\$ 16,472	\$ 188,855

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2023 and 2022

	2023	2022
	<i>(US \$ in thousands)</i>	
Cash Flows From Operating Activities:		
Net increase in net assets resulting from operations	\$ 24,677	\$ 28,265
Adjustments to reconcile net assets resulting from operations to net cash flows from operating activities:		
Gain on sale of real estate investments	(2,127)	(312)
Unrealized gain on fair value of real estate investments	(845)	(8,328)
Interest expense attributable to amortization of debt issuance costs	833	780
Earnings from equity method real estate investments	51	(16)
Change in assets and liabilities:		
Accrued investment income	871	1,432
Prepaid expenses and other assets	(260)	868
Accrued real estate expenses and taxes	1,763	906
Accrued incentive fees	31	205
Accrued expenses - related party	(264)	605
Other liabilities	(2,122)	4,053
Net cash flow provided by operating activities	\$ 22,608	\$ 28,458
Cash Flows From Investing Activities:		
Capital expenditures and real estate investments	(41,173)	(38,749)
Proceeds from the sale of real estate investments	11,757	13,314
Equity method real estate investments	171	16
Funding of loans receivable	(4,092)	(5,343)
Principal payments received on loans receivable	5,838	3,913
Net cash flow (used for) investing activities	\$ (27,499)	\$ (26,849)
Cash Flows From Financing Activities:		
Proceeds from mortgage loans and notes payable	7,781	1,807
Principal payments on mortgage loans and notes payable	(10,821)	(12,937)
Payment of debt issuance costs	(1,560)	(1,047)
Proceeds from revolving line of credits	20,008	15,999
Payments on revolving line of credits	(19,808)	(19,999)
Proceeds from members subscriptions	18,721	23,705
Proceeds from issuance of member notes	4,920	(2,102)
Repayment of member notes	(1,183)	(877)
Contributions from members	722	687
Contributions from non-controlling interests	1,119	5,013
Distributions to members	(16,292)	(8,586)
Distributions to non-controlling interests	(2,047)	(3,016)
Net cash flow provided by (used for) financing activities	1,560	(1,353)
Net Change in Cash, Cash Equivalents and Restricted Cash	(3,331)	256
Cash, and Restricted Cash, Beginning of Year	17,967	17,711
Cash, and Restricted Cash, End of Year	\$ 14,636	\$ 17,967

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)

Years ended December 31, 2023 and 2022

	2023	2022
	<i>(US\$ in thousands)</i>	
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 14,581	\$ 14,373
Supplemental Disclosure of Non-cash Investing and Financing Activities		
Mortgage loans and notes payable refinanced	11,413	4,693
Real estate investments acquired through mortgage loans and notes payable	49,117	47,605
Reinvested distributions	11,009	10,187
Member distributions recorded as a payable	3,023	1,513
Member contributions through subscriptions payable	19,253	53,513
Member contributions through transfer of members subscriptions	100	-
Member contributions through conversion of a member note	50	2,000
Member contributions through reinvested member note interest	430	1,591
Reinvested revolving line of credit interest	10	-
Reinvested member note interest	146	79

SCHEDULE OF INVESTMENTS

December 31, 2023 and 2022

Investment	Ownership	City, State	FT ² Unless Otherwise Indicated (Unaudited)	December 31, 2023		December 31, 2022	
				Cost Basis	Fair Value	Cost Basis	Fair Value
Real Estate and Improvements and Unconsolidated Real Estate Investments							
Retail							
Eagle Marketplace	CI - 100.00%	Eagle, Idaho	73,697	\$ 10,312	\$ 16,432	\$ 10,210	\$ 15,634
Mission Village	CI - 95.50%	Wenatchee, Washington	32,987	-	-	5,414	5,580
Adelmann Building	CI - 90.44%	Boise, Idaho	16,277	2,424	3,172	2,316	3,210
Parkway Plaza	CI - 91.73%	Idaho Falls, Idaho	56,358	4,117	7,307	3,999	6,533
Eagle Island	CI - 81.10%	Meridian, Idaho	10,204	3,334	4,125	3,333	3,962
Decker Lake	CI - 97.58%	West Valley City, Utah	52,387	7,940	9,747	7,739	9,194
Sandcreek Plaza	CI - 100.00%	Ammon, Idaho	35,903	3,647	4,081	3,613	4,047
Shops at 38th	CI - 50.00%	Phoenix, Arizona	23,021	6,217	6,866	6,204	6,684
1680 Westland	CI - 77.43%	Boise, Idaho	3,881	940	1,275	940	1,213
Metro Towne Center	CI - 81.73%	Phoenix, Arizona	140,614	30,204	32,335	29,998	32,129
Carefree	CI - 100.00%	Colorado Springs, Colorado	126,507	16,145	17,274	15,745	15,745
T5 Ontario	CI - 60.00%	Ontario, Oregon	1,400	-	-	1,416	1,416
Tucson Fiesta	CI - 78.75%	Tucson, Arizona	93,005	14,914	14,914	14,690	14,690
T5 Glenwood	CI - 57.38%	Garden City, Idaho	1,400	-	-	774	774
Star Development	CI - 50.10%	Star, Idaho	3,940	1,960	1,960	582	582
T5 Caldwell	CI - 58.97%	Caldwell, Idaho	1,400	2,318	2,840	1,135	1,135
White Mountain	CI - 100.00%	Rock Springs, Wyoming	339,233	21,876	21,876	-	-
T5 Ten Mile	CI - 57.19%	Meridian, Idaho	1,400	1,470	1,782	468	468
Retail Total				127,818	145,986	108,576	122,996
% of Total Real Estate Investments				22.86%	25.14%	22.60%	24.54%
Industrial							
Westpark	CI - 80.00%	Boise, Idaho	117,510	\$6,996	\$8,493	\$ 6,983	\$ 8,479
Mountain Home	CI - 66.70%	Mountain Home, Idaho	30,478	1,424	1,424	1,424	1,424
5617 Cleveland	CI - 92.51%	Caldwell, Idaho	28,350	3,691	5,761	3,616	3,616
Industrial Total				12,111	15,678	12,023	13,519
% of Total Real Estate Investments				2.17%	2.70%	2.50%	2.70%
CI - Consolidated Real Estate Investment							

(US \$ in thousands)

SCHEDULE OF INVESTMENTS (CONT.)

December 31, 2023 and 2022

Investment	Ownership	City, State	FT ² Unless Otherwise Indicated (Unaudited)	December 31, 2023		December 31, 2022	
				Cost Basis	Fair Value	Cost Basis	Fair Value
Office				<i>(US \$ in thousands)</i>			
1444 Entertainment	CI - 95.02%	Boise, Idaho	78,573	14,682	15,408	14,303	14,582
110 Main	EMI - 40.00%	Boise, Idaho	6,420	8	8	307	307
Siete I	CI - 81.00%	Phoenix, Arizona	58,042	9,827	10,195	9,678	10,046
The Ashby on Osborn	CI - 86.79%	Phoenix, Arizona	89,168	14,958	11,769	14,741	13,033
Cottonwood Plaza	CI - 100.00%	Boise, Idaho	43,142	4,841	4,869	4,836	6,231
Siete II	CI - 90.00%	Phoenix, Arizona	53,936	7,210	7,188	6,970	7,369
7733 Emerald	CI - 57.00%	Boise, Idaho	4,424	-	-	583	531
Presidio	CI - 98.28%	Colorado Springs, Colorado	81,222	13,845	14,878	13,527	15,513
North Creek	CI - 99.36%	Colorado Springs, Colorado	326,373	51,274	51,274	48,882	48,882
Orchard Pointe	CI - 100.00%	Greenwood Village, Colorado	120,473	23,255	23,255	22,679	22,679
Rock Pointe West	CI - 100.00%	Spokane, Washington	332,850	26,978	26,978	-	-
Sandy Commerce Park	CI - 85.25%	Sandy, Utah	121,197	22,083	22,083	-	-
Space Center & Newport	CI - 100.00%	Colorado Springs, Colorado	163,036	28,495	30,488	26,887	26,887
Stanford I	CI - 100.00%	Denver, Colorado	275,381	51,981	49,692	50,583	50,583
5709 Sunset	CI - 100.00%	Spokane, Washington	38,189	5,215	3,543	4,931	4,931
6455 Yosemite	CI - 100.00%	Greenwood Village, Colorado	199,811	30,015	25,514	29,217	26,457
Gainey Ranch	CI - 80.42%	Scottsdale, Arizona	126,722	35,889	35,889	34,816	34,816
Total Office				340,556	333,031	282,940	282,847
% of Total Real Estate Investments				60.90%	57.34%	58.88%	56.43%

CI - Consolidated Real Estate Investment

EMI - Equity Method Real Estate Investment

SCHEDULE OF INVESTMENTS (CONT.)

December 31, 2023 and 2022

Investment	Ownership	City, State	FT ² Unless Otherwise Indicated (Unaudited)	December 31, 2023		December 31, 2022	
				Cost Basis	Fair Value	Cost Basis	Fair Value
Flex*				<i>(US \$ in thousands)</i>			
1550 Tech Lane	CI - 100.00%	Meridian, Idaho	105,438	9,117	10,367	8,677	9,927
Centennial Tech Center	CI - 100.00%	Colorado Springs, Colorado	110,405	15,612	15,612	15,613	15,613
Airport Center	CI - 80.63%	Chandler, Arizona	94,545	17,180	18,006	17,140	17,966
IGC	CI - 100.00%	Spokane Valley, Washington	74,344	8,118	10,401	8,096	10,379
Garden Gateway	CI - 100.00%	Colorado Springs, Colorado	114,951	14,260	16,888	13,785	14,251
Total Flex				64,287	71,274	63,311	68,136
% of Total Real Estate Investments				11.49%	12.27%	13.17%	13.59%
Senior Housing							
Brightstar Eagle Road	CI - 62.73%	Boise, Idaho	5,778	1,546	1,843	665	665
Brightstar Meridian Road	CI - 55.00%	Meridian, Idaho	5,778	1,597	1,597	439	439
Brightstar-Overland	CI - 56.00%	Meridian, Idaho	5,812	604	604	399	399
Total Senior Housing				3,747	4,044	1,503	1,503
% of Total Real Estate Investments				0.67%	0.70%	0.31%	0.30%
Residential							
Chinden & Midland	CI - 100.00%	Caldwell, Idaho	N/A	7,680	7,680	7,427	7,427
Total Residential				7,680	7,680	7,427	7,427
% of Total Real Estate Investments				1.37%	1.32%	1.55%	1.48%
Multi-Family							
Ustick	CI - 100.00%	Meridian, Idaho	N/A	788	788	770	770
Total Multi-Family				788	788	770	770
% of Total Real Estate Investments				0.14%	0.14%	0.16%	0.15%
Total Real Estate and Improvements and Unconsolidated							
Real Estate Investments				556,987	578,481	476,550	497,198
% of Total Real Estate Investments				99.59%	99.61%	99.16%	99.20%

CI - Consolidated Real Estate Investment

*Investments with multipurpose space that can either be a combination of or rotate between industrial, office or showroom space.

SCHEDULE OF INVESTMENTS (CONT.)

December 31, 2023 and 2022

Investment	Ownership	City, State	FT ² Unless Otherwise Indicated (Unaudited)	December 31, 2023		December 31, 2022	
				Cost Basis	Fair Value	Cost Basis	Fair Value
Loans Receivable				<i>(US \$ in thousands)</i>			
Loans to Affiliate**	Loan		41 Units	2,288	2,288	4,034	4,034
Total Loans Receivable				2,288	2,288	4,034	4,034
% of Total Real Estate Investments				0.41%	0.39%	0.84%	0.80%
Total Real Estate Investments				\$ 559,275	\$ 580,769	\$ 480,584	\$ 501,232

** Investments in single family homes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Entities Legal Name

Brightstar Meridian Road, LLC
 Brightstar Eagle Road, LLC
 Alturas Space Center & Newport, LLC
 Alturas Orchard Pointe, LLC
 Alturas Metro Towne Center, LLC
 Alturas Carefree, LLC
 T5 Ontario RE, LLC
 Alturas Tucson Fiesta, LLC
 T5 Glenwood RE, LLC
 Alturas CCP Star, LLC
 T5 Caldwell RE, LLC
 T5 Ten Mile RE, LLC
 Alturas Gainey Ranch LLC
 Brightstar Overland LLC
 Alturas Rock Pointe West, LLC
 Alturas Sandy Commerce Park, LLC
 Alturas White Mountain, LLC

Properties Name

Brightstar Meridian Road
 Brightstar Eagle Road
 Space Center & Newport
 Orchard Pointe
 Metro Towne Center
 Carefree
 T5 Ontario
 Tucson Fiesta
 T5 Glenwood
 Star Development
 T5 Caldwell
 T5 Ten Mile
 Gainey Ranch
 Brightstar – Overland
 Rock Pointe West
 Sandy Commerce
 White Mountain

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). In 2023, 110 Main LLC was sold (see Note 4 for information).

Noncontrolling Interests

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

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

Use of Estimates

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

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

Reclassifications

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

Investments in Real Estate and Improvements

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

Loans Receivable

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

Cash

As of December 31, 2023 and 2022 cash consists of deposits held at financial institutions. The Fund invests its cash primarily in deposits with commercial banks. At times, cash balances held at one or more banks and financial institutions may exceed federally insured amounts. The Fund believes it mitigates credit risk by depositing cash in multiple, major financial institutions.

Restricted Cash

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

	2023		2022
	<i>(US \$ in thousands)</i>		
Cash	\$ 13,075	\$	13,111
Restricted Cash	1,561		4,856
Total Cash and Restricted Cash	\$ 14,636	\$	17,967

Debt Issuance Costs

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

Interest Rate Swaps

The Fund manages exposure to changes in market interest rates through the use of derivative instruments. The Fund's use of derivative instruments is limited to fixed for floating rate interest swap agreements. In accordance with ASC 815-10, "Derivatives and Hedging," the Fund utilized the private company alternative and recognized all derivative financial instruments in its financial statements at settlement value, as the derivative instruments are not entered into for trading or speculative purposes.

Revenue Recognition

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

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

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

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

Income Taxes

The Fund is taxed as a partnership under the Internal Revenue Code. In lieu of federal income taxes, the members of the LLC are taxed on their proportionate share of the LLC's taxable income. Therefore, no provision or liability for federal income taxes related to the Fund has been included in these consolidated financial statements. The Fund evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. There were no unrecognized tax benefits as of December 31, 2023 and 2022.

Net Realized and Unrealized Gain and Losses

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

	2023	2022
	<i>(US \$ in thousands)</i>	
Net current year unrealized gain on fair value of real estate investments	\$ 2,535	\$ 8,467
Less: previously recognized unrealized gains on properties sold during the year	(1,690)	(139)
Net unrealized gain	\$ 845	\$ 8,328

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

The following tables present information about the Fund's assets measured at fair value as of December 31, 2023 and 2022.

2023				
<i>(US \$ in thousands)</i>				
	(Level 1)	(Level 2)	(Level 3)	Total
Real estate and improvements	\$ -	\$ -	\$ 578,473	\$ 578,473
Real estate joint venture	-	-	8	8
Loans receivable	-	-	2,288	2,288
	\$ -	\$ -	\$ 580,769	\$ 580,769

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

The table below sets forth a summary of changes in the fair value of the Fund's Level 3 assets for the year ended December 31, 2023 and 2022:

	Real Estate and Improvements	Unconsolidated Real Estate Investments	Loans Receivable	Total Level 3 Investments
	<i>(US \$ in thousands)</i>			
Ending balance, December 31, 2021	\$ 415,211	\$ 307	\$ 2,604	\$ 418,122
Real estate acquisitions	66,041	-	-	66,041
Real estate improvements	20,313	-	-	20,313
Net proceeds from sale of real estate investments *	(13,314)	-	-	(13,314)
Principal payments received	-	-	(3,913)	(3,913)
Funding of loans	-	-	5,343	5,343
Total realized gain on sale of real estate investments	312	-	-	312
Total unrealized gain on real estate investment	8,328	-	-	8,328
Ending balance, December 31, 2022	\$ 496,891	\$ 307	\$ 4,034	\$ 501,232
Real estate acquisitions	68,745	-	-	68,745
Real estate improvements	21,545	10	-	21,555
Net proceeds from sale of real estate investments*	(11,757)	(232)	-	(11,989)
Principal payments received	-	-	(5,838)	(5,838)
Funding of loans	-	-	4,092	4,092
Total realized gain on sale of real estate investments	2,204	(77)	-	2,127
Total unrealized gain on real estate investment	845	-	-	845
Ending balance, December 31, 2023	\$ 578,473	\$ 8	\$ 2,288	\$ 580,769

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

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

Real Estate and Improvements

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

The Fund's internal fair value estimates are determined using a single period capitalization method whereby net operating income is divided by a capitalization rate and further adjusted for estimated transaction costs. Key assumptions in the fair value calculation include capitalization rates, vacancy factors, and estimated transaction costs. These key assumptions are derived from comparable market transactions as well as other financial and industry data, and are based on the location, type and nature of each property, and current and anticipated market conditions. Fair value measurements take into consideration the estimated effect of physical depreciation; therefore, historical cost depreciation and amortization on real estate related assets has been excluded from net investment income in deriving fair value of each investment. Significant increases (decreases) in any of the above inputs and assumptions in isolation could result in a significantly lower (higher) fair value. Although the estimated fair values represent subjective estimates, management believes these estimated fair values are reasonable approximations of market prices and the aggregate estimated value of investments in real estate is fairly presented at December 31, 2023 and 2022.

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, 2023 and 2022, 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
2023	<i>(US \$ in thousands)</i>			
Acquisition Price	\$ 172,153	N/A	N/A	N/A
Single Period Capitalization Method	406,320	Capitalization Rate	6.00% to 9.25%	7.45%
Total Real Estate and Improvements	\$ 578,473			
2022				
Acquisition Price	\$ 187,745	N/A	N/A	N/A
Single Period Capitalization Method	309,146	Capitalization Rate	5.85% to 9.00%	7.43%
Total Real Estate and Improvements	\$ 496,891			

Unconsolidated Real Estate Investments

The Fund's ownership in Unconsolidated Real Estate Investments is accounted for using the equity method of accounting (see Note 5 for further information). Under this method, the investment is initially recorded at cost, that is the price paid for the Fund's ownership in the investment. Subsequent to the purchase, the Fund's share of the investment's periodic income or loss (including any unrealized gains or losses when the investment value is adjusted to fair value) will result in income or loss from the investment and an increase or decrease, respectively, to the investment recorded by the Fund. Distributions from the investment result in a decrease to the investment recorded by the Fund. The Fund held an interest in one unconsolidated real estate investment (110 Main, LLC) in 2023, 110 Main was sold (see Note 4 for information). As of December 31, 2023 \$8 thousand of 110 Main, LLC's net assets remain to pay final liabilities and distributions.

Loans Receivable

Fair value is determined on the basis of estimated market interest rates for loans of comparable quality and maturity. As the Fund's loans are short term in nature (less than 12 months), fair value approximated cost (principal plus interest accrued on the loans receivable balance). The Fund evaluates the collectability of the balances based upon historical experience and the specific circumstances of individual notes, with an allowance for uncollectible amounts being provided if necessary. As of December 31, 2023 and 2022, no allowance for uncollectible amounts was recorded.

NOTE 4 - NEW REAL ESTATE INVESTMENTS AND DIVESTITURES

New Investments During 2023

The following were the real estate investments made by the Fund during the year ended December 31, 2023 (see also the Schedule of Investments for further detail):

Acquisition of Rock Pointe

On March 24, 2023, the Fund acquired a three-building office complex totaling 333 thousand square feet on 9.6 acres located in Spokane, WA. The property is owned by Alturas Rock Pointe West, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$25.2 million. In connection with the purchase, Alturas Rock Pointe West, LLC incurred debt totaling \$19.2 million. The property is a multi-tenant property and was 79% leased as of the date of the acquisition.

Acquisition of Sandy Commerce Park

On November 21, 2023, the Fund and one unaffiliated third party acquired a office complex totaling 121 thousand square feet on 6.5 acres located in Sandy, UT. The property is owned by Alturas Sandy Commerce Park, LLC and the Fund holds a 85.25% interest in that entity. The total acquisition price was approximately \$21.6 million. In connection with the purchase, Alturas Sandy Commerce Park, LLC incurred debt totaling \$13.0 million. The property is a multi-tenant property and was 100% leased as of the date of the acquisition.

Acquisition of White Mountain Mall

On December 24, 2023, the Fund acquired a three-building office complex totaling 339 thousand square feet on 32 acres located in Rock Springs, WY. The property is owned by Alturas White Mountain, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$24.3 million. In connection with the purchase, Alturas Rock Pointe West, LLC incurred debt totaling \$16.1 million. The property is a multi-tenant property and was 96% leased as of the date of the acquisition. See Note 12 for information related to ownership updates in 2024.

Real Estate Divestitures During 2023

The following were the real estate divestitures made by the Fund during the year ended December 31, 2023:

Sale of 7733 Emerald

On April 30, 2019, the Fund formed 7733 Emerald, LLC, to acquire a 4 thousand square foot office building located in Boise, ID. The Fund owned 57.0% of 7733 Emerald, LLC. On June 16, 2023, 7733 Emerald LLC sold for \$1.3 million which resulted in a \$0.47 million gain net of transaction fees and commissions.

Sale of Brightstar - Overland

On November 21, 2022, the Fund partnered with Brightstar, a senior living provider, to build a 6 thousand square foot memory care facility in Meridian, ID. The Fund holds an 81.42% interest in Brightstar Overland Road, LLC with the remaining interest held by one unaffiliated third party. Brightstar Overland Road, LLC also has profit interests where the Fund holds an 56% profit interest in the entity with the remaining interest being held by two unaffiliated third parties. On July 14, 2023, Brightstar Overland Road, LLC sold 0.05 acres for \$0.02 million and no gain. Brightstar Overland Road, LLC continues to develop the remaining 0.54 acres at this property for the memory care facility.

Sale of Mission Village

On September 22, 2016, the Fund formed Alturas Mission Village, LLC, to acquire a 33 thousand square foot retail property located in Wenatchee, WA. The Fund owned 95.5% of Alturas Mission Village, LLC. On September 15, 2023, Alturas Mission Village, LLC sold Mission Village for \$7.0 million which resulted in a \$0.91 million gain net of transaction fees and commissions.

Sale of T5 Ontario

On January 5, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Ontario, OR. The Fund owned 60.00% of T5 Ontario RE, LLC. On December 11, 2023, T5 Ontario RE, LLC sold T5 Ontario for \$2.3 million which resulted in a \$0.43 million gain net of transaction fees and commissions.

Sale of T5 Glenwood

On February 11, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Garden City, ID. The Fund owned 60.00% of T5 Glenwood, LLC upon its acquisition. On July 1, 2023, one additional unaffiliated third party invested in T5 Glenwood, LLC resulting in the Fund holding a 57.38% interest in the entity. The remaining interest is held by two unaffiliated third parties. On December 11, 2023, T5 Glenwood, LLC sold T5 Glenwood for \$2.1 million which resulted in a \$0.40 million gain net of transaction fees and commissions.

Sale of 110 Main

On October 8, 2015, the Fund and one unaffiliated third party formed 110 Main, LLC, to acquire a 6 thousand square foot office building located in Boise, ID. The Fund owned 40.00% of 110 Main, LLC. On December 11, 2023, 110 Main, LLC sold 110 Main for \$1.4 million which resulted in a \$0.19 million loss net of transaction fees and commissions.

New Investments During 2022

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

Acquisition of Carefree

On January 3, 2022, the Fund acquired the retail property totaling 126 thousand square feet on 10.05 acres located in Colorado Springs, CO. The property is owned by Alturas Carefree, LLC and the Fund holds a 100% interest in that entity.

Acquisition of T5 Ontario

On January 5, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Ontario, OR. The property is owned by T5 Ontario RE, LLC and the Fund holds a 60.00% interest in that entity. The remaining interest is held by one unaffiliated third party. (See real estate divestitures during 2023 above for information related to the sale of the property).

Acquisition of Tucson Fiesta

On January 14, 2022, the Fund and two unaffiliated third parties acquired the retail property totaling 93 thousand square feet on 8.83 acres located in Tucson, AZ. The property is owned by Alturas Tucson Fiesta, LLC and the Fund holds a 78.75% interest in that entity with the remaining interest held by two unaffiliated third parties.

Acquisition of T5 Glenwood

On February 11, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Garden City, ID. The property is owned by T5 Glenwood RE, LLC and the Fund owned 60.00% of T5 Glenwood, LLC upon its acquisition. On July 1, 2023, one additional unaffiliated third party invested in T5 Glenwood, LLC resulting in the Fund holding a 57.38% interest in the entity. The remaining interest is held by two unaffiliated third parties. (See real estate divestitures during 2023 above for information related to the sale of the property).

Acquisition of Star Development

On March 11, 2022 the Fund and one unaffiliated party acquired land totaling 0.49 acres planned to be developed into a two tenant retail center totaling 4 thousand square feet in Star, ID. The property is owned by Alturas CCP Star, LLC and the Fund holds a 50.10% interest in the entity. The remaining interest is held by one unaffiliated third party.

Acquisition of T5 Caldwell

On April 8, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Caldwell, ID. The property is owned by T5 Caldwell RE, LLC and the Fund owned 60.00% of T5 Caldwell RE, LLC upon its acquisition. On October 1, 2023, one additional unaffiliated third party invested in T5 Caldwell RE, LLC resulting in the Fund holding a 58.97% interest in the entity. The remaining interest is held by two unaffiliated third parties. See Note 12 for information related to sale in 2024.

Acquisition of T5 Ten Mile

On May 16, 2022, the Fund and one unaffiliated third party acquired land to develop a 1 thousand square foot quick lube center in Meridian, ID. The property is owned by T5 Ten Mile RE, LLC and the Fund owned 60.00% of T5 Ten Mile RE, LLC upon its acquisition. On December 1, 2023, one additional unaffiliated third party invested in T5 Ten Mile RE, LLC resulting in the Fund holding a 57.19% interest in the entity. The remaining interest is held by two unaffiliated third parties.

Acquisition of Gainey Ranch

On June 28, 2022, the Fund and one unaffiliated third party acquired a two-building office complex totaling 127 thousand square feet on 3.918 acres located in Scottsdale, AZ. The property is owned by Alturas Gainey Ranch, LLC and the Fund holds an 80.42% interest in that entity with the remaining interest held by one unaffiliated third party.

Acquisition of Brightstar – Overland

On November 21, 2022, the Fund partnered with Brightstar, a senior living provider, to build a 6 thousand square foot memory care facility in Meridian, ID. The property is owned by Brightstar Overland Road, LLC and the Fund holds an 81.42% interest in the entity with the remaining interest held by one unaffiliated third party. Brightstar Overland Road, LLC also has profit interests where the Fund holds an 56% profit interest in the entity with the remaining interest being held by two unaffiliated third parties. (See real estate divestitures during 2023 above for information related to the partial sale of the property).

Real Estate Divestitures During 2022

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

Sale of Ustick

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

Sale of T5 Ten Mile

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

Sale of 4200 Hawthorne

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

NOTE 5 - UNCONSOLIDATED REAL ESTATE INVESTMENTS

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

The following is a summary of the fair value basis assets and liabilities underlying the Fund's unconsolidated joint venture investment (110 Main, LLC) at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	<i>(US \$ in thousands)</i>	
Cash and cash equivalents	\$ 16	\$ 8
Real estate and improvements	-	1,588
Mortgage loans (less unamortized debt issuance costs of \$0 and \$12)	-	(802)
Other liabilities	3	(27)
Net Assets	<u>\$ 19</u>	<u>\$ 767</u>
AREF's share of real estate joint venture net assets	<u>\$ 8</u>	<u>\$ 307</u>

As of December 31, 2023, the Fund sold 110 Main, LLC (see Note 4 for further information) and as a result the related mortgage loan was extinguished.

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

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

Member Subscriptions Payable

From the point in time when funds are received by the Fund from investors until the funds are deployed, the funds remain in the Fund's subscription bank account which is a legally separate bank account and is segregated from all other bank accounts used by the Fund. The subscription bank account is used solely for the purposes of holding funds transferred to the Fund from investors prior to deployment of those funds as either member note investments or equity subscriptions. The Fund held pending equity subscriptions balances of \$100 thousand and \$250 thousand as of December 31, 2023 and 2022, respectively. The Fund did not hold any pending note subscriptions as of December 31, 2023 and 2022, respectively.

Temporary Notes

When investor subscription funds are deployed, if those funds are equity subscriptions, the Member Subscriptions Payables balance converts to a temporary note which accrues interest at 6-8% per annum. The temporary note will convert to an equity subscription on the first day following the quarter end in which the temporary note matures. The term and interest rate applicable to temporary notes varies. During 2023, the term and interest rate ranged from 3-12 months and 6-8% interest, respectively. The Fund recorded a temporary note liability of \$18.8 million and \$19.3 million as of December 31, 2023 and 2022, respectively which are reflected in Member subscription payable and temporary notes.

Member Notes

The Fund issues member notes which accrue interest at 6-8% per annum with terms 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.

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

See the table below for the short-term and long-term member note balances as of December 31, 2023 and 2022:

	2023	2022
	<i>(US \$ in thousands)</i>	
Short-Term Member Notes	\$ 2,081	\$ -
Long-Term Member Notes	4,954	2,696
Line of Credit	210	-
Total Member Notes	\$ 7,245	\$ 2,696

Future principal payments of member notes and notes payable which are outstanding as of December 31, 2023 are as follows:

Year Ending December 31, (US \$ in thousands)	
2024	\$ 2,291
2025	4,231
2026	623
2027	100
Total	\$ 7,245

NOTE 7 - MORTGAGE LOANS AND NOTES PAYABLE

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

Mortgage loans and notes payable bear interest at stated rates ranging from 3.10%-8.85% as of December 31, 2023 and 2022. These loans and notes provide for monthly payments of principal and interest or interest-only and mature at various dates through June 2032.

Mortgage loans and notes payable consists of the following as of December 31, 2023 and 2022 (at carrying value):

	2023	2022
	<i>(US \$ in thousands)</i>	
Mortgage loans and notes payable, principal	\$ 365,065	\$ 318,985
Deferred financing costs, net of \$2,501 and \$1,794 of accumulated amortization, respectively	(5,112)	(4,381)
Total Mortgage Loans and Notes Payable, Net	\$ 359,953	\$ 314,604

Future Maturities

Future principal payments of mortgage loans and notes payable which are outstanding as of December 31, 2023 are as follows:

Years Ending December 31, (US \$ in thousands)	
2024	\$ 17,734
2025	18,927
2026	23,230
2027	60,471
2028	56,257
Thereafter	188,446
Total	\$ 365,065

Unconsolidated Real Estate Investment Mortgage Loan

The tables above exclude the mortgage loan on 110 Main given that property is accounted for as an equity method investment and as such, the mortgage balance is not included in the mortgage loans and notes payable line on the Statement of Net Assets. For the year ended December 31, 2022, the mortgage balance on 110 Main was \$814 thousand. As of December 31, 2023, the Fund sold 110 Main, LLC (see Note 4 for further information) and as a result the related mortgage loan was extinguished

Swap Agreements

On October 7, 2019 Alturas Mission Village, LLC was party to a swap agreement for a notional amount of \$3,535,000 at a fixed rate of 4.00%. The swap agreement, which requires paying and settling monthly, effectively converted \$3,535,000 of floating rate debt to fixed rate debt. The swap agreement terminates October 4, 2024. For the years ended December 31, 2023 and 2022, the net amount paid to (received from) the counterparty of the interest rate swap was (\$197.6) thousand and \$0 thousand, respectively. This loan was fully paid off when Alturas Mission Village LLC was sold in 2023 (see Note 4 for further information).

On July 30, 2019 Alturas Presidio, LLC was party to a swap agreement for a notional amount of \$9,150,000 at a fixed rate of 3.95%. The swap agreement, which requires paying and settling monthly, effectively converted \$9,150,000 of floating rate debt to fixed rate debt. The swap agreement terminates July 31, 2026. For the years ended December 31, 2023 and 2022, the net amount paid to (received from) the counterparty of the interest rate swap was (\$262.7) thousand and \$44.6 thousand, respectively.

On November 17, 2020 Alturas Westpark, LLC was party to a swap agreement for a notional amount of \$6,162,000 at a fixed rate of 3.10%. The swap agreement, which requires paying and settling monthly, effectively converted \$6,162,000 of floating rate debt to fixed rate debt. The swap agreement terminates November 1, 2027. For the year ended December 31, 2023 and 2022, the net amount paid to (received from) the counterparty of the interest rate swap was (\$253.5) thousand and (\$41.1) thousand, respectively.

On December 12, 2023 Alturas White Mountain, LLC was party to a swap agreement for a notional amount of \$16,070,000 at a fixed rate of 7.00%. The swap agreement, which requires paying and settling monthly, effectively converted \$16,070,000 of floating rate debt to fixed rate debt. The swap agreement terminates December 12, 2028. For the year ended December 31, 2023 Alturas White Mountain, LLC did not pay (receive) any funds from the counterparty of the interest rate swap.

Revolving Line of Credit

The Fund has entered into a revolving line of credit with Independent Financial that provides for available borrowings of \$10,000,000 as defined by the loan agreement. The agreement matures on November 6, 2025. Borrowings under the line of credit bear interest at SOFR + 2.65% with a minimum floor of 5.00%. Half of the borrowings are collateralized by cash of the Fund and half of the borrowings are unsecured. As of December 31, 2023 no amounts were outstanding on the line.

Covenants and Restrictions

The Fund has various financial covenants relating to mortgage loans and notes payable. The most significant of these covenants include debt service coverage ratios and liquidity covenants. As of December 31, 2023, the Fund and its properties were in compliance with the applicable loan covenants. The Fund guarantees mortgage loans at various properties which are secured by the related real estate. The Fund and a related party guarantee a mortgage loan at a property which is secured by the related real estate.

NOTE 8 - MINIMUM FUTURE LEASE REVENUES

As of December 31, 2023, minimum future rental payments to be received from our tenants under non-cancelable operating leases having a term of more than one year are as follows:

Year Ended December 31, (US \$ in thousands)	
2024	\$ 60,100
2025	52,009
2026	43,839
2027	34,347
2028	23,080
Thereafter	59,946
Total	\$ 273,321

NOTE 9 - DISTRIBUTIONS AND ALLOCATIONS OF PROFITS AND LOSSES

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

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

Second, 70% to the members, pro rata in proportion to their ownership interest and 30% to the Manager. For the years ended December 31, 2023 and 2022, the Manager earned allocations of profits of \$2.88 million and \$2.94 million, respectively.

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, 2023 and 2022.

	Year Ended December 31,	
	2023	2022
	<i>(US \$ in thousands)</i>	
Beginning Loan Receivable Balance	\$ 4,034	\$ 2,604
Borrowings	4,092	5,343
Repayments	(5,838)	(3,913)
Ending Loans Receivable Balance	<u>\$ 2,288</u>	<u>\$ 4,034</u>
Interest income on loans receivable	\$ 765	\$ 732
Accrued interest income as of December 31	\$ 76	\$ 361
Maximum Loan Receivable Balance During the Fiscal Year	\$ 3,944	\$ 4,675

Asset Management Fees and Performance Income

Under the terms of the agreement between the Fund and the Manager, the Manager is entitled to an asset management fee amounting to 1.5% of committed capital which is accrued monthly and paid monthly after the close of each month. Also, as described further in Note 9 above, the Manager is entitled to performance income which is 30% of Fund earnings above 8%. Management fees and performance income for the years ended December 31, 2023 and 2022 are summarized below:

	Year Ended December 31,	
	2023	2022
	<i>(US \$ in thousands)</i>	
Asset Management Fees	\$ 2,436	\$ 2,114
Performance Income	\$ 2,888	\$ 2,938

As of December 31, 2023, Asset Management Fees payable were \$223 thousand and Performance Income payable was \$820 thousand. As of December 31, 2022, Asset Management Fees payable were \$186 thousand and Performance Income payable was \$789 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, 2023 and 2022 include the following:

Property Management Services – The Fund owns and operates commercial real estate in various locations in the Intermountain West and Inland Northwest regions of the United States. Property management services are required to ensure that properties are properly maintained, our customers (tenants) receive the services specified in their lease agreements, and books and records for each property are maintained accurately. As such, the Fund engages various property managers to perform these services, including the Manager and its affiliates in cases where the Manager is able to provide excellent service. These services range from 3-6% for property management and accounting services depending on complexity and range from \$30-\$65 per hour until July 1st of 2023 when porter services increased from \$30 per hour to \$40 per hour. The current pricing is \$40-\$65 for property maintenance services depending on the market and services performed. Pricing for these services is at or below the amounts that a qualified outside party would charge to perform these services.

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

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

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

Lease Brokerage Services – It is customary for brokers involved in originating leases to charge lease commissions for their services. In certain situations, particularly on lease renewals, the Manager will perform those lease origination services and receive compensation for these services. Fees for these services paid to the Manager range from 3.0-7.5% based on the complexity and amount of time required for the brokerage services. The fee range charged by the Manager, when applicable, is based on actual fees charged by third parties for similar services in past transactions.

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

Paralegal Services – The Fund requires paralegal service in legal document drafting and engages the Manager to perform some of these services. The paralegal services are utilized to provide internal legal document drafting. Pricing for these services is \$125 per hour and is at or below the amounts that a qualified outside party would charge to perform these services.

Marketing Services - The Fund requires marketing services for its quarterly report to investors and the related photography and videography of the portfolio. The Fund engages the Manager to perform some of these services. Pricing for these services is at or below the amounts that a qualified outside party would charge to perform these services.

Fund Administration Services - The Fund engages the Manager to perform various accounting services for the Fund itself including financial oversight, investor relations, tax and audit compliance management services. Pricing for these services is at or below the amounts that a qualified outside party would charge to perform these services.

The table below summarizes the fees paid for these services for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	<i>(US \$ in thousands)</i>	
Fees for Services Performed		
Property Management Services	\$ 3,566	\$ 2,352
Project Management Services	469	205
Loan Brokerage Services	357	341
Due Diligence Services	153	70
Lease Brokerage Services	121	75
Development Services	106	-
Marketing Services	9	-
Fund Administration Services	227	145
Paralegal Services	101	43
Total Fees for Services Performed	\$ 5,109	\$ 3,231

As of December 31, 2023 and 2022, amounts payable to the Manager for the fees for services performed were \$1.1 million and \$0.5 million, respectively.

Fund Expenses Paid by the Manager

From time to time, the Manager pays expenses on behalf of the Fund (generally travel expenses) to be reimbursed at a later date. For the year ended December 31, 2023 and 2022, the Fund reimbursed \$642 thousand and \$313 thousand, respectively, for Fund expenses paid by the "Manager". As of December 31, 2023 and 2022, the Fund owes \$0 thousand and \$27 thousand respectively for reimbursements to the affiliated entity.

Other Related Party Transactions

Alturas Property Services, LLC, an affiliate of the Manager, provided property management services to the Fund properties and unrelated parties beginning in 2020. During the year ended December 31, 2023 and 2022 the Fund incurred \$0 thousand and \$410 thousand, respectively for these services. As of December 31, 2023 and 2022 the Fund owed \$0 thousand and \$33 thousand, respectively to Alturas Property Services, LLC. Alturas Property Services was dissolved at the end of 2022 and management of the Fund owned Arizona based properties was assumed by Alturas Capital Partners.

The Fund engages a third-party administrator to perform various tasks with respect to fund administration. The third-party administrator is an affiliate of two investors in the Fund. For the years ended December 31, 2023 and 2022, the Fund incurred a total of \$89 thousand and \$173 thousand, respectively for these services.

Various executives, employees and owners of the Manager and Alturas LLC (formerly known as Alturas Capital, LLC and partial owner of the Manager) have invested in the Fund. As of December 31, 2023 and 2022, no executives, employees or owners of the Manager and Alturas, LLC had a temporary note balance. The combined equity balance of executives, employees or owners of the Manager and Alturas, LLC investing in the Fund as of December 31, 2023 and 2022 was \$2.5 million and \$1.8 million, respectively.

As of December 31, 2023 and 2022, executives, employees or owners of the Manager and Alturas, LLC had line of credit balance of \$0.2 million and \$0 million, respectively.

An affiliated entity of the Fund provides construction services to the Fund properties beginning in 2022. During the year ended December 31, 2023 and 2022, the Fund incurred \$2.0 million and \$0.1 million for these services. As of December 31, 2023 and 2022, the Fund owed \$0.2 million and \$0.2 million to the affiliated entity.

NOTE 11 - FINANCIAL HIGHLIGHTS

Financial highlights are calculated for the investor members taken as a whole. All amounts are shown net of amounts allocated to noncontrolling interests and the incentive allocation to managing member. The table below summarizes the per unit operating performance for the years ended December 31, 2023 and 2022.

	Year Ended December 31,	
	2023	2022
	<i>(US \$ in thousands)</i>	
PER UNIT OPERATING PERFORMANCE:		
Net Asset Value, Beginning of Period	\$ 1,630	\$ 1,570
INCOME FROM INVESTMENT OPERATIONS:		
Net investment income, before management fees	202	241
Net realized and unrealized gain on investments	13	76
Total from investment operations, before management fees	215	317
Less: Management fees	24	28
Total from investment operations	191	289
Distributions	(263)	(229)
Net Asset Value, End of Period	\$ 1,558	\$ 1,630
Total Return, before management fees, net of incentive allocation to manager (a):	24.50%	25.91%
Total Return, after management fees, net of incentive allocation to manager (a):	24.20%	25.71%

RATIOS / SUPPLEMENTAL DATA:

Ratios to average net assets (b):

Total expenses	27.10%	35.40%
Incentive allocation	1.99%	4.88%
Total expenses and incentive allocation	29.09%	40.28%
Net investment income (does not include net realized and unrealized gains)	13.33%	17.37%

(a) Total return represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of distributions. Total Return, before/after management fees is calculated by geometrically linking quarterly returns which are calculated using the formula below:

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

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

NOTE 12 - SUBSEQUENT EVENTS

Alturas White Mountain LLC Updated Operating Agreement

On January 1, 2024 an unaffiliated third party invested in Alturas White Mountain LLC resulting in the fund holding 81.72% interest in the entity. The remaining interest is held by the aforementioned unaffiliated third party.

Alturas Cottonwood Plaza LLC Refinance

On January 22, 2024 Alturas Cottonwood Plaza, LLC's mortgage note payable loan was refinanced. The mortgage note payable increased to \$4 million due in monthly installments interest only payments for the first 24 months. For the remaining 36 months, monthly installments of \$28 thousand including interest, to January 2029, guaranteed by the Fund and secured by the related real estate. The interest rate is fixed at 6.91%. No guaranty fee was charged.

Brightstar Meridian Road, LLC Updated Operating Agreement

On February 1, 2024 an unaffiliated third party invested in Brightstar Meridian Road, LLC resulting in the Fund holding 62.16% interest in the entity. The remaining interest is held by two unaffiliated third parties.

Sale of Land at Take 5 Caldwell RE LLC

On April 8, 2022, the Fund and one unaffiliated third party acquired land to develop a Take 5 oil change site in Caldwell, ID. The property is owned by T5 Caldwell RE, LLC and the Fund owned 60.00% of T5 Caldwell RE, LLC upon its acquisition. On October 1, 2023, one additional unaffiliated third party invested in T5 Caldwell RE, LLC resulting in the Fund holding a 58.97% interest in the entity. The remaining interest is held by two unaffiliated third parties. On February 29, 2024 T5 Caldwell RE, LLC sold .79 acres for \$950 thousand and a gain of \$54 thousand.

Sale of Land and Building at Take 5 Caldwell RE LLC

On April 8, 2022, the Fund and one unaffiliated third party acquired land to develop a Take 5 oil change site in Caldwell, ID. The property is owned by T5 Caldwell RE, LLC and the Fund owned 60.00% of T5 Caldwell RE, LLC upon its acquisition. On October 1, 2023, one additional unaffiliated third party invested in T5 Caldwell RE, LLC resulting in the Fund holding a 58.97% interest in the entity. The remaining interest is held by two unaffiliated third parties. On March 29, 2024 T5 Caldwell RE, LLC sold T5 Caldwell for \$2.1 million for a gain of \$506 thousand.

The Fund has evaluated subsequent events through May 9, 2024, the date which the financial statements were available to be issued.