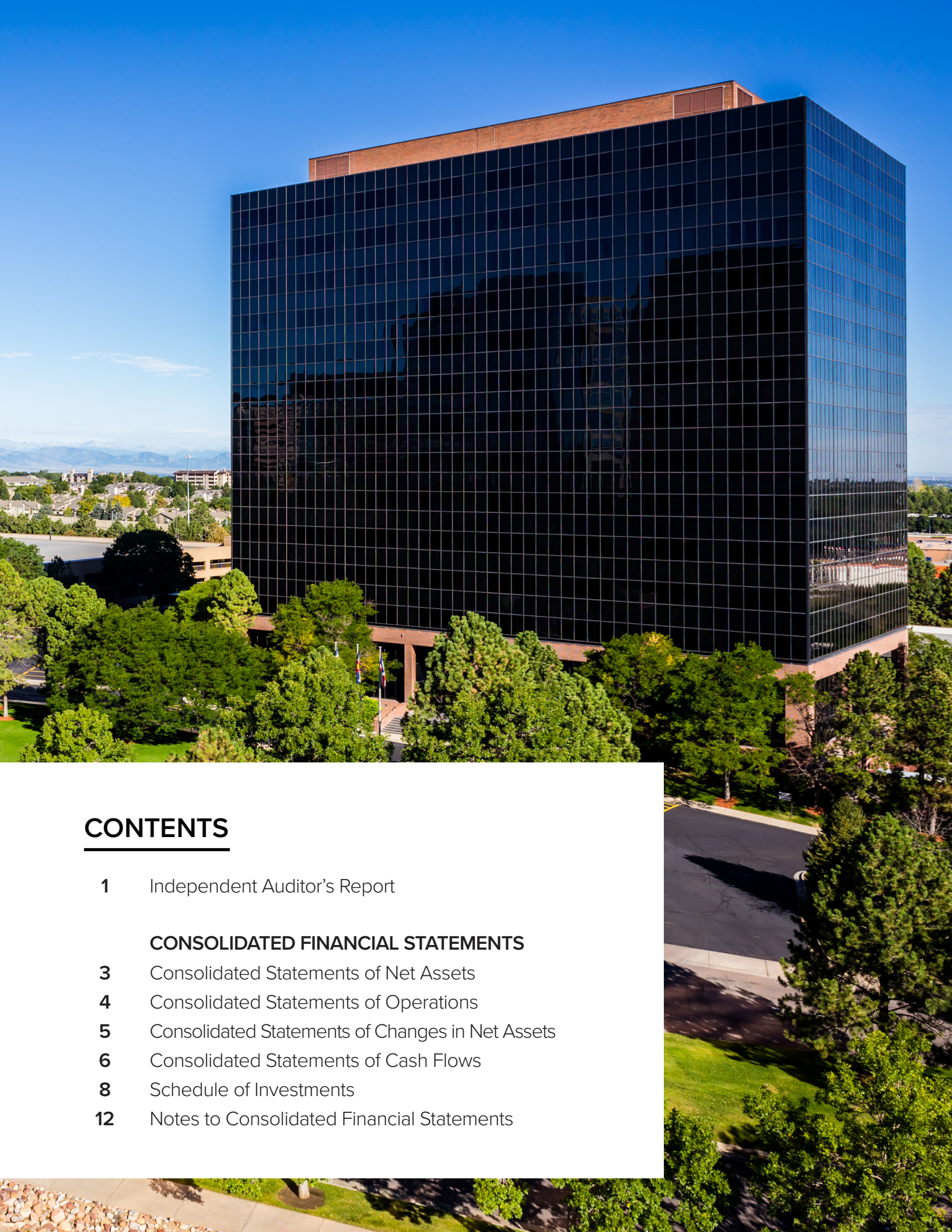


ALTURAS

REAL ESTATE FUND

Consolidated Financial Statements | December 31, 2021 and 2020
www.alturascapital.com



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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, 2021 and 2020, 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, 2021 and 2020 and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alturas Real Estate Fund LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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



Denver, Colorado

June 23, 2022

CONSOLIDATED STATEMENTS OF NET ASSETS

December 31, 2021 and 2020

	2021 ¹	2020
	(US\$ in thousands)	
ASSETS:		
Real estate investments - at fair value:		
Real estate and improvements (cost of \$402,887 and \$169,025)	\$ 415,211	\$ 176,719
Unconsolidated real estate investments (cost of \$307 and \$299)	307	299
Loans receivable (cost of \$2,604 and \$1,985)	2,604	1,985
Cash	14,755	5,681
Restricted cash	2,956	913
Accrued investment income	123	48
Prepaid expenses and other assets	3,245	1,205
Total Assets	\$ 439,201	\$ 186,850
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Mortgage loans and notes payable (less unamortized debt issuance costs of \$4,114 and \$1,335)	\$ 278,396	\$ 113,399
Members subscription payable and temporary notes	51,009	7,762
Member notes payable	8,309	7,380
Accrued real estate expenses and taxes	6,246	1,657
Accrued incentive fees	584	479
Accrued expenses - related party	1,169	562
Member distributions payable	951	760
Other liabilities	6,967	2,582
Total Liabilities	353,631	134,581
Commitments and Contingencies (Note 5)		
NET ASSETS:		
Alturas Real Estate Fund LLC net assets	76,291	45,748
Noncontrolling interests	9,279	6,521
Net Assets	\$ 85,570	\$ 52,269

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2021 and 2020

	2021	2020
	<i>(US\$ in thousands)</i>	
INVESTMENT INCOME:		
Revenue from real estate	\$ 37,839	\$ 18,647
Interest income on loans receivable	464	407
Total Revenues	38,303	19,054
EXPENSES:		
Real estate expenses and taxes	12,122	5,550
Interest expense	10,026	5,322
Administrative expenses	1,561	696
Investment management fees	1,301	685
Total Expenses	25,010	12,253
Net Investment Income	13,293	6,801
Net Realized and Unrealized Gain:		
Net realized gain from sale of real estate investments	1,954	1,928
Net unrealized gain on fair value of real estate investments	4,628	883
Net realized and unrealized gain	6,582	2,811
Increase in Net Assets Resulting from Operations	19,875	9,612
Less: Portion Attributable to Noncontrolling Interests	(1,491)	(1,002)
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account	18,384	8,610
Amounts Attributable to Alturas Real Estate Fund LLC Account		
Net Investment Income	12,017	5,960
Net Realized and Unrealized Gain	6,367	2,650
Increase in Net Assets Resulting from Operations Attributable to Alturas Real Estate Fund LLC Account	\$ 18,384	\$ 8,610

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2021 and 2020

	Sponsor/ Managing Member	Investor Members	Noncontrolling Interest	Total
	(US\$ in thousands)			
Net Assets - December 31 - 2019	\$ 2,739	\$ 31,157	\$ 4,439	\$ 38,335
From Operations:				
Net investment income	103	5,857	841	6,801
Net realized and unrealized gain	42	2,608	161	2,811
Increase in net assets resulting from operations	145	8,465	1,002	9,612
From Capital Transactions:				
Contributions	-	10,893	2,060	12,953
Distributions	(1,541)	(6,110)	(980)	(8,631)
Increase in net assets resulting from capital transactions	(1,541)	4,783	1,080	4,322
Incentive allocation to managing member	1,829	(1,829)	-	-
Increase in Net Assets	433	11,419	2,082	13,934
Net Assets - December 31, 2020	\$ 3,172	\$ 42,576	\$ 6,521	\$ 52,269
From Operations:				
Net investment income	153	11,864	1,276	13,293
Net realized and unrealized gain	77	6,290	215	6,582
Increase in net assets resulting from operations	230	18,154	1,491	19,875
From Capital Transactions:				
Contributions	-	25,916	2,262	28,178
Distributions	(2,857)	(10,900)	(995)	(14,752)
Increase in net assets resulting from capital transactions	(2,857)	15,016	1,267	13,426
Incentive allocation to managing member	4,245	(4,245)	-	-
Increase in Net Assets	1,618	28,925	2,758	33,301
Net Assets - December 31, 2021	\$ 4,790	\$ 71,501	\$ 9,279	\$ 85,570

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	2021	2020
	<i>(US\$ in thousands)</i>	
Cash Flows From Operating Activities:		
Net increase in net assets resulting from operations	\$ 19,875	\$ 9,612
Adjustments to reconcile net assets resulting from operations to net cash flows from operating activities:		
Gain on sale of real estate investments	(1,954)	(1,928)
Unrealized gain on fair value of real estate investments	(4,628)	(883)
Interest expense attributable to amortization of debt issuance costs	488	264
Earnings from equity method real estate investments	(15)	(10)
Change in assets and liabilities:		
Accrued investment income	697	455
Prepaid expenses and other assets	(2,040)	151
Accrued real estate expenses and taxes	4,589	(418)
Accrued incentive fees	105	289
Accrued expenses - related party	607	28
Other liabilities	4,385	736
Net cash flow provided by operating activities	22,109	8,296
Cash Flows From Investing Activities:		
Capital expenditures and real estate investments	(68,019)	(19,498)
Proceeds from the sale of real estate investments	5,817	6,922
Equity method real estate investments	(7)	53
Funding of loans receivable	(5,377)	(4,795)
Principal payments received on loans receivable	4,758	5,688
Net cash flow (used for) investing activities	(62,814)	(11,630)
Cash Flows From Financing Activities:		
Proceeds from mortgage loans and notes payable	2,811	3,987
Principal payments on mortgage loans and notes payable	(4,742)	(5,445)
Payment of debt issuance costs	(3,268)	(634)
Proceeds from members subscriptions	52,803	7,125
Proceeds from issuance of member notes	15,760	7,797
Repayment of member notes	(6,012)	(1,895)
Contributions from non-controlling interests	2,262	2,060
Distributions to members	(6,797)	(3,902)
Distributions to non-controlling interests	(995)	(980)
Net cash flow provided by financing activities	51,882	8,113
Net Change in Cash and Restricted Cash	11,117	4,779
Cash and Restricted Cash, Beginning of Year	6,594	1,815
Cash and Restricted Cash, End of Year	\$ 17,711	\$ 6,594

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)

Years ended December 31, 2021 and 2020

	2021	2020
	<i>(US\$ in thousands)</i>	
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 10,334	\$ 5,198
Supplemental Disclosure of Non-cash Investing and Financing Activities		
Mortgage loans and notes payable refinanced	\$ 7,914	\$ 4,929
Real estate investments acquired through mortgage loans and notes payable	\$ 169,708	\$ 33,893
Reinvested distributions	\$ 7,106	\$ 3,421
Member distributions recorded as a payable	\$ 951	\$ 760
Member contributions through subscriptions payable	\$ 11,996	\$ 80
Member contributions through conversion of a member note	\$ 7,150	\$ 7,160
Member contributions through reinvested member note interest	\$ 708	\$ 21
Member contributions through transfer of members subscriptions	\$ -	\$ 232
Investor note subscription through subscriptions payable	\$ -	\$ 125
Reinvested member note interest	\$ 63	\$ 408

SCHEDULE OF INVESTMENTS

December 31, 2021 and 2020

Investment	Ownership	City, State	FT ² (000's) Unless Otherwise Indicated (Unaudited)	December 31, 2021		December 31, 2020	
				Cost Basis	Fair Value	Cost Basis	Fair Value
<i>(US\$ in thousands)</i>							
Real Estate and Improvements and Unconsolidated Real Estate Investments							
Retail							
Eagle Marketplace	CI - 100%	Eagle, Idaho	60,024	\$ 10,142	\$ 15,114	\$ 5,636	\$ 9,074
Mission Village	CI - 95.50%	Wenatchee, Washington	32,950	5,251	5,274	5,144	5,005
Adelmann Building	CI - 90.44%	Boise, Idaho	15,436	2,267	2,566	2,222	2,308
Parkway Plaza	CI - 91.73%	Idaho Falls, Idaho	56,264	3,842	5,083	3,392	4,322
Eagle Island	CI - 81.10%	Meridian, Idaho	10,204	3,270	3,900	3,175	3,175
Decker Lake	CI - 97.58%	Salt Lake City, Utah	52,387	7,556	9,011	7,505	7,864
Sandcreek Plaza	CI - 100%	Idaho Falls, Idaho	35,903	3,568	4,003	3,515	3,507
Shops at 38th	CI - 50.00%	Phoenix, Arizona	23,021	6,171	6,171	6,139	6,139
1680 Westland	CI - 77.43%	Boise, Idaho	3,881	935	1,208	-	-
Metro Towne Center	CI - 81.73%	Phoenix, Arizona	140,614	29,889	29,889	-	-
Retail Total				72,891	82,219	36,728	41,394
% of Total Real Estate Investments				17.96%	19.66%	21.44%	23.12%
Industrial							
Westpark	CI - 80.00%	Boise, Idaho	117,510	6,981	8,478	6,974	8,226
Mountain Home	CI - 66.70%	Mountain Home, Idaho	30,478	1,424	1,424	1,424	1,424
297 Wycoff	CI - 86.90%	Twin Falls, Idaho	23,000	-	-	2,032	2,032
5617 Cleveland blvd	CI - 100%	Caldwell, Idaho	28,360	3,569	3,569	-	-
Industrial Total				11,974	13,471	10,430	11,682
% of Total Real Estate Investments				2.95%	3.22%	6.09%	6.53%

CI - Consolidated Real Estate Investment

EMI - Equity Method Real Estate Investment

SCHEDULE OF INVESTMENTS (CONT.)

December 31, 2021 and 2020

Investment	Ownership	City, State	FT ² (000's) Unless Otherwise Indicated (Unaudited)	December 31, 2021		December 31, 2020	
				Cost Basis	Fair Value	Cost Basis	Fair Value
<i>(US\$ in thousands)</i>							
Office							
1444 Entertainment	CI - 95.02%	Boise, Idaho	78,372	13,182	12,984	13,092	13,632
110 Main	EMI - 40.00%	Boise, Idaho	6,420	307	307	299	299
Siete I	CI - 81.00%	Phoenix, Arizona	57,933	9,050	8,969	8,930	8,515
The Ashby on Osborn	CI - 86.79%	Phoenix, Arizona	89,167	13,556	12,317	12,983	11,345
Cottonwood Plaza	CI - 100%	Boise, Idaho	43,142	4,720	5,146	4,720	5,481
Siete II	CI - 90.00%	Phoenix, Arizona	53,936	6,686	7,086	6,187	6,916
7733 Emerald	CI - 57.00%	Boise, Idaho	4,424	576	611	563	563
Presidio	CI - 98.28%	Colorado Springs, Colorado	81,222	13,433	14,887	13,148	13,983
2206 Whitley	CI - 100%	Fruitland, Idaho	16,000	-	-	1,845	1,845
4200 Hawthorne	CI - 50.10%	Pocatello, Idaho	78,225	11,642	10,557	11,619	11,619
Northcreek	CI - 99.36%	Colorado Springs, Colorado	326,430	46,944	46,944	-	-
Orcharde Pointe	CI - 100%	Greenwood Village, Colorado	120,416	21,209	21,209	-	-
Space Center & Newport	CI - 100%	Colorado Springs, Colorado	162,946	25,938	25,937	-	-
Stanford I	CI - 100%	Denver, Colorado	273,963	47,525	47,525	-	-
5709 Sunset	CI - 100%	Spokane, Washington	39,605	4,854	4,854	-	-
6455 Yosemite	CI - 100%	Greenwood Village, Colorado	199,043	28,049	28,049	-	-
Total Office				247,671	247,382	73,386	74,198
% of Total Real Estate Investments				61.04%	59.17%	42.84%	41.45%

CI - Consolidated Real Estate Investment

EMI - Equity Method Real Estate Investment

SCHEDULE OF INVESTMENTS (CONT.)

December 31, 2021 and 2020

Investment	Ownership	City, State	FT ² (000's) Unless Otherwise Indicated (Unaudited)	December 31, 2021		December 31, 2020	
				Cost Basis	Fair Value	Cost Basis	Fair Value
<i>(US\$ in thousands)</i>							
Flex*							
1550 Tech Lane	CI - 100%	Boise, Idaho	105,438	8,709	9,672	8,346	9,310
Centennial Tech Center	CI - 100%	Colorado Springs, Colorado	110,405	15,422	15,422	15,422	15,422
Airport Center	CI - 80.63%	Chandler, Arizona	94,545	17,043	17,868	16,958	16,958
IGC	CI - 100%	Spokane, Washington	75,786	7,221	7,221	8,054	8,054
Garden Gateway	CI - 100%	Colorado Springs, Colorado	115,052	12,884	12,884	-	-
Total Flex				61,279	63,067	48,780	49,744
% of Total Real Estate Investments				15.10%	15.08%	28.47%	27.79%
Senior Housing							
Brightstar - Eagle	CI - 50%	Boise, Idaho	5,890	274	274	-	-
Brightstar - Meridian	CI - 55%	Meridian, Idaho	5,778	298	298	-	-
Total Senior Housing				572	572	-	-
% of Total Real Estate Investments				0.13%	0.15%	0.00%	0.00%
Residential							
Chinden & Midland	CI - 100%	Caldwell, Idaho	N/A	7,240	7,240	-	-
Total Residential				7,240	7,240	-	-
% of Total Real Estate Investments				1.78%	1.73%	0.00%	0.00%
Multi-Family							
Ustick	CI - 100%	Meridian, Idaho	N/A	1,567	1,567	-	-
Total Multi-Family				1,567	1,567	-	-
% of Total Real Estate Investments				0.39%	0.37%	0.00%	0.00%
Total Real Estate and Improvements and Unconsolidated							
Real Estate Investments				403,194	415,518	169,324	177,018
% of Total Real Estate Investments				99.35%	99.38%	98.84%	98.89%

CI - Consolidated Real Estate Investment

EMI - Equity Method 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.)

Investment	Ownership	City, State	FT ² (000's) Unless Otherwise Indicated (Unaudited)	December 31, 2021		December 31, 2020	
				Cost Basis	Fair Value	Cost Basis	Fair Value
Loans Receivable				<i>(US\$ in thousands)</i>			
Loans to Affiliate**	Loan		34 Units	2,604	2,604	1,843	1,843
Other Notes Receivable	Loan			-	-	142	142
Total Loans Receivable				2,604	2,604	1,985	1,985
<i>% of Total Real Estate Investments</i>				<i>0.65%</i>	<i>0.62%</i>	<i>1.16%</i>	<i>1.11%</i>
Total Real Estate Investments				\$ 405,798	\$ 418,122	\$ 171,309	\$ 179,003

CI - Consolidated Real Estate Investment

EMI - Equity Method Real Estate Investment

** Investments in single family homes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1 - NATURE OF BUSINESS

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

<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
2206 Whitley, LLC	2206 Whitley
Alturas Sandcreek, LLC	Sandcreek Plaza
Alturas Mountain Home, LLC	Mountain Home
Alturas Centennial Tech Center, LLC	Centennial Tech Center
297 Wycoff, LLC	297 Wycoff
Alturas Shops at 38th, LLC	Shops at 38th
Alturas Airport Center, LLC	Airport Center
Alturas IGC, LLC	IGC
Alturas Northcreek, LLC	Northcreek
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
Alturas Brightstar – Meridian LLC	Brightstar - Meridian
Alturas Brightstar – Eagle LLC	Brightstar - Eagle
Alturas Space Center & Newport, LLC	Space Center & Newport
Alturas Orchard Pointe, LLC	Orchard Pointe
Alturas Metro Towne Center, LLC	Metro Towne Center

Variable Interest Entities

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

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

Noncontrolling Interests

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

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

Use of Estimates

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

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

Investments in Real Estate and Improvements

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

Loans Receivable

Loans 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, 2021 and 2020 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:

	2021		2020
	<i>(US\$ in Thousands)</i>		
Cash	\$ 14,755	\$	5,681
Restricted Cash	2,956		913
Total Cash and Restricted Cash	\$ 17,711	\$	6,594

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.

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

Income Taxes

The Fund is taxed as a partnership under the Internal Revenue Code. In lieu of federal income taxes, the members of the LLC are taxed on their proportionate share of the LLC's taxable income. Therefore, no provision or liability for federal income taxes related to the Fund has been included in these consolidated financial statements.

The Fund evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. There were no unrecognized tax benefits as of December 31, 2021 and 2020.

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:

	2021	2020
	<i>(US\$ in Thousands)</i>	
Realized gain from sale of real estate investments	\$ 1,954	\$ 1,928
Net current year unrealized gain on fair value of real estate investments	6,269	1,926
Less: previously recognized unrealized gains on properties sold during the year	(1,641)	(1,043)
Net unrealized gain	\$ 4,628	\$ 883

New and Recently Adopted Accounting Pronouncements

Recently Adopted Accounting Pronouncements

There have been no recently adopted accounting pronouncements that have had a material impact on the Fund's consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 is intended to improve financial reporting on leasing transactions. Regarding tenant reimbursement revenue, the Fund plans to elect the lessor practical expedient upon the effective date of ASU 2016-02, Leases, which for the Fund will be for the year ended December 31, 2021. Under the expedient the Fund 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, the FASB approved a proposal to amend the effective date of ASU 2016-02 for one year. The Fund plans to adopt ASU 2016-02 for the year ended December 31, 2022.

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, 2021 and 2020.

2021				
<i>(US\$ in Thousands)</i>				
	(Level 1)	(Level 2)	(Level 3)	Total
Real estate and improvements	\$ -	\$ -	\$ 415,211	\$ 415,211
Real estate joint venture	-	-	307	307
Loans receivable	-	-	2,604	2,604
	\$ -	\$ -	\$ 418,122	\$ 418,122

2020				
<i>(US\$ in Thousands)</i>				
	(Level 1)	(Level 2)	(Level 3)	Total
Real estate and improvements	\$ -	\$ -	\$ 176,719	\$ 176,719
Real estate joint venture	-	-	299	299
Loans receivable	-	-	1,985	1,985
	\$ -	\$ -	\$ 179,003	\$ 179,003

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, 2021 and 2020:

	Real Estate and Improvements	Unconsolidated Real Estate Investments	Loans Receivable	Total Level 3 Investments
<i>(US\$ in Thousands)</i>				
Ending balance, December 31, 2019	\$ 127,439	\$ 342	\$ 2,878	\$ 130,659
Real estate acquisitions	48,160	-	-	48,160
Real estate improvements	5,231	(43)	-	5,188
Net proceeds from sale of real estate investments *	(6,922)	-	-	(6,922)
Principal payments received	-	-	(5,688)	(5,688)
Funding of loans	-	-	4,795	4,795
Total realized gain on sale of real estate investments	1,928	-	-	1,928
Total unrealized gain on real estate investment	883	-	-	883
Ending balance, December 31, 2020	\$ 176,719	\$ 299	\$ 1,985	\$ 179,003
Real estate acquisitions	231,595	-	-	231,595
Real estate improvements	6,132	8	-	6,140
Net proceeds from sale of real estate investments*	(5,817)	-	-	(5,817)
Principal payments received	-	-	(4,758)	(4,758)
Funding of loans	-	-	5,377	5,377
Total realized gain on sale of real estate investments	1,954	-	-	1,954
Total unrealized gain on real estate investment	4,628	-	-	4,628
Ending balance, December 31, 2021	\$ 415,211	\$ 307	\$ 2,604	\$ 418,122

* 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, 2021 and 2020.

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, 2021 and 2020, respectively:

Period/Valuation Methodology	Fair Value	Unobservable Inputs	Range of Significant Input Value	Weighted Average
2021	<i>(US\$ in thousands)</i>			
Acquisition Price	\$ 260,479	N/A	N/A	N/A
Single Period Capitalization Method	154,732	Capitalization Rate	5.50% to 8.75%	7.48%
Total Real Estate and Improvements	\$ 415,211			
2020				
Acquisition Price	\$ 67,231	N/A	N/A	N/A
Single Period Capitalization Method	109,488	Capitalization Rate	7.00% to 8.75%	7.85%
Total Real Estate and Improvements	\$ 176,719			

Unconsolidated Real Estate Investments

The Fund's ownership in Unconsolidated Real Estate Investments is accounted for using the equity method of accounting (see Note 5 for further information). Under this method, the investment is initially recorded at cost, that is the price paid for the Fund's ownership in the investment. Subsequent to the purchase, the Fund's share of the investment's periodic income or loss (including any unrealized gains or losses when the investment value is adjusted to fair value) will result in income or loss from the investment and an increase or decrease, respectively, to the investment recorded by the Fund. Distributions from the investment result in a decrease to the investment recorded by the Fund. The Fund held an interest in one unconsolidated real estate investment (110 Main LLC) as of December 31, 2021 and 2020 and the value thereof approximated costs.

Loans Receivable

Fair value is determined on the basis of estimated market interest rates for loans of comparable quality and maturity. As the Fund's loans are short term in nature (less than 12 months), fair value approximated cost (principal plus interest accrued on the loans receivable balance). The Fund evaluates the collectability of the balances based upon historical experience and the specific circumstances of individual notes, with an allowance for uncollectible amounts being provided if necessary. As of December 31, 2021 and 2020 no allowance for uncollectible amounts was recorded.

NOTE 4 - NEW REAL ESTATE INVESTMENTS AND DIVESTITURES

New Investments During 2021

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

Acquisition of Northcreek

On January 29, 2021, the Fund and two unaffiliated third parties acquired a three-building office complex totaling 326 thousand square feet on 16.61 acres located in Colorado Springs, CO. The property is owned by Alturas Northcreek, LLC and the Fund holds a 99.36% interest in that entity with the remaining interest held by two unaffiliated third parties. The total acquisition price was approximately \$47.2 million. In connection with the purchase, Alturas Northcreek, LLC incurred debt totaling \$34.2 million. The property is a multi-tenant property and was 86% leased as of the date of the acquisition.

Acquisition of Garden Gateway

On February 19, 2021, the Fund acquired two single-story flex industrial/office buildings and one two-story office building totaling 115 thousand square feet on 11.91 acres located in Colorado Springs, CO. The property is owned by Alturas Garden Gateway, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$15.6 million. In connection with the purchase, Alturas Garden Gateway, LLC incurred debt totaling \$9.9 million. The property is a multi-tenant property and was 92% leased as of the date of the acquisition.

Acquisition of 5709 Sunset

On June 2, 2021, the Fund acquired the two story, suburban office building totaling 39 thousand square feet on 4.77 acres located in Spokane, WA. The property is owned by Alturas Sunset, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$4.8 million. In connection with the purchase, Alturas Sunset, LLC incurred debt totaling \$3.7 million. The property is a multi-tenant property and was 96% leased as of the date of the acquisition.

Acquisition of 1680 Westland

On June 4, 2021, the Fund acquired a drive-through restaurant property off market totaling 4 thousand square feet on 5.00 acres located in Boise, ID. The property is owned by Alturas 1680 Westland, LLC and the Fund holds a 77.43% interest with the remaining interest held by one unaffiliated third party. The total acquisition price was approximately \$0.9 million. In connection with the purchase, Alturas 1680 Westland, LLC incurred debt totaling \$0.6 million. The property was 100% leased as of the date of the acquisition.

Acquisition of Ustick

On June 18, 2021, the Fund acquired mixed-use development totaling 4.50 acres in Meridian, ID. The property is owned by Alturas Ustick, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$3.1 million. In connection with the purchase, Alturas Ustick, LLC did not incur any debt. See Note 12 for information related to the partial sale of this property.

Acquisition of 6455 Yosemite

On June 21, 2021, the Fund acquired suburban office property totaling 199 thousand square feet located in Denver, CO. The property is owned by Alturas Yosemite, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$28.4 million. In connection with the purchase, Alturas Yosemite, LLC incurred debt totaling \$21.0 million. The property is a multi-tenant property and was 82% leased as of the date of acquisition.

Acquisition of Stanford I

On June 21, 2021, the Fund acquired suburban office property totaling 274 thousand square feet located in Denver, CO. The property is owned by Alturas Stanford, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$47.7 million. In connection with the purchase, Alturas Stanford, LLC incurred debt totaling \$35.3 million. The property is a multi-tenant property and was 83% leased as of the date of acquisition.

Acquisition of Chinden & Midland

On July 23, 2021, the Fund entered into a partnership with Brighton Corp to purchase, develop, and sell lots to Alturas Homes and the single-family home building division of our development partner. The property is owned by Alturas SE Chinden & Midland, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$7.1 million. In connection with the purchase, Alturas SE Chinden & Midland, LLC incurred debt totaling \$4.6 million.

Acquisition of 5617 Cleveland Blvd

On October 29, 2021, the Fund acquired the industrial property consisting of four existing building totaling 28 thousand square feet and an additional 15.00 acres that is planned for an additional 200 square feet of industrial development located in Caldwell, ID. The property is owned by Alturas 5617 Cleveland, LLC and the Fund holds a 97.17% interest in that entity with the remaining interest held by one unaffiliated third party. The total acquisition price was approximately \$3.5 million. In connection with the purchase, Alturas 5617 Cleveland, LLC incurred no debt. The property is 100% leased as of the date of acquisition. See Note 12 for information related to ownership updates in 2022.

Acquisition of Brightstar – Meridian

On October 22, 2021, the Fund partnered with Brightstar, a senior living provider, to build a 6 thousand square feet memory care facility in Meridian, ID. The property is owned by Alturas Brightstar – Meridian, LLC and the Fund holds a 55% interest in that entity with the remaining interest held by two unaffiliated third parties. The total acquisition price was approximately \$0.2 million. In connection with the purchase, Alturas Brightstar – Meridian, LLC incurred no debt.

Acquisition of Brightstar – Eagle

On November 15, 2021, the Fund partnered with Brightstar, a senior living provider, to build a 6 thousand square feet memory care facility in Boise, ID. The property is owned by Alturas Brightstar – Eagle, LLC and the Fund holds a 50% interest in that entity with the remaining interest held by two unaffiliated third parties. The total acquisition price was approximately \$0.2 million. In connection with the purchase, Alturas Brightstar – Eagle, LLC incurred no debt.

Acquisition of Space Center & Newport

On November 19, 2021, the Fund acquired the office property consisting of two existing buildings totaling 163 thousand square-feet in Colorado Springs, CO. The property is owned by Alturas Space Center & Newport, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$27.1 million. In connection with the purchase, Alturas Space Center & Newport, LLC incurred debt totaling \$20.1 million. The property 985 Space Center is a multi-tenant property and was 94% leased at time of acquisition. The property 1055 N Newport Rd is a multi-tenant property and was 91% leased at time of acquisition.

Acquisition of Orchard Pointe

On December 10, 2021, the Fund acquired a six-story office property totaling 121 thousand square feet on 3.69 acres located in southeast Greenwood Village, Co. The property is owned by Alturas Orchard Pointe, LLC and the Fund holds a 100% interest in that entity. The total acquisition price was approximately \$21.4 million. In connection with the purchase, Alturas Orchard Pointe, LLC incurred debt totaling \$15.7 million. The property is a multi-tenant property and was 92% leased as of the date of the acquisition.

Acquisition of Metro Towne Center

On December 30, 2021, the Fund acquired the retail property totaling 140 thousand square feet on 14.60 acres located in Phoenix, AZ. The property is owned by Alturas Metro Towne Center, LLC and the Fund holds an 81.73% interest with the remaining interest held by three unaffiliated third parties. The total acquisition price was approximately \$30.4 million. In connection with the purchase, Alturas Metro Towne Center, LLC, incurred debt totaling \$19.8 million. The property is a multi-tenant property and was 94% leased as of the date of the acquisition.

Real Estate Divestitures During 2021

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

Sale of Whitley

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

Sale of Wycoff

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

New Investments During 2020

The following were the real estate investments made by the Fund during the year ended December 31, 2020 (see also the Schedule of Investments for further detail):

Acquisition of Centennial Tech Center

On February 5, 2020, the Fund formed Alturas Centennial Tech Center, LLC to acquire two single-story flex-office buildings totaling 110 thousand square feet located in Colorado Springs, CO. The Fund owns 100% of Alturas Centennial Tech Center, LLC.

Acquisition of 297 Wycoff

On February 21, 2020, the Fund formed 297 Wycoff, LLC to acquire a 23 thousand square foot industrial property on 2.42 acres located in Twin Falls, ID. The Fund owned 86.90% of 297 Wycoff, LLC. See real estate divestitures during 2021 above for information related to the sale of the property.

Acquisition of Shops at 38th

On August 13, 2020, the Fund formed Alturas Shops at 38th, LLC to acquire a 23 thousand square foot neighborhood retail property on 1.67 acres located in Phoenix, AZ. The Fund owns 50.00% of Alturas Shops at 38th, LLC.

Acquisition of Airport Center

On December 18, 2020, the Fund formed Alturas Airport Center, LLC to acquire two flex-office buildings totaling 95 thousand square feet on 11.10 acres located in Chandler, AZ. The Fund owns 80.63% of Alturas Airport Center, LLC.

Acquisition of IGC

On December 21, 2020, the Fund formed Alturas IGC, LLC to acquire a 76 thousand square foot industrial flex property located in Spokane, WA. The Fund owns 100% of Alturas IGC, LLC.

Real Estate Divestitures During 2020

The following were the real estate divestitures made by the Fund during the year ended December 31, 2020:

Sale of 5804 Fairview

On August 14, 2018, the Fund and an unaffiliated third party acquired a 23 thousand square foot vacant retail property located in Boise ID. This property was owned by Alturas 5804 Fairview, LLC and the Fund held a 96.45% interest in that entity. On June 12, 2020, Alturas 5804 Fairview, LLC sold the property for \$3.4 million which resulted in a \$0.8 million gain net of transactions fees and commissions.

Sale of portion of Parkway Plaza

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 May 21, 2020, Alturas Parkway Plaza, LLC sold a

19 thousand square foot suite to an owner-occupant which resulted in a \$0.5 million gain. The Fund continues to operate the remaining 56 thousand square feet at this property.

Sale of Colorado DB One

On August 31, 2018, the Fund formed Colorado DB One, LLC to acquire a 0.90 acre lot for the purpose of constructing an 824 square foot Dutch Bros in Colorado Springs, CO. The Fund owned 100.00% of Colorado DB One, LLC. Upon construction completion and sale of the Colorado Springs Dutch Bros, the development partner was entitled to 15.00% of the gain on sale. On November 30, 2020, Colorado DB One, LLC sold the property for \$2.3 million which resulted in a \$0.7 million gain.

NOTE 5 - UNCONSOLIDATED REAL ESTATE INVESTMENTS

On October 8, 2015, the Fund acquired a 40% ownership interest in 110 Main LLC, which owns a 6 thousand square foot office building in Boise, ID. The purchase price was \$0.3 million. The building was a historic home that has been renovated for office use. The cost of the renovation through December 31, 2020, was approximately \$1.6 million which has been funded with \$0.8 million of debt and \$0.8 million of equity contributions from the Partnership: \$0.3 million from the Fund and \$0.5 million from an unaffiliated third-party.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<i>(US\$ in Thousands)</i>	
Cash	\$ 17	\$ 18
Real estate and improvements	1,588	1,587
Mortgage loans (less unamortized debt issuance costs of \$14 and \$15)	(823)	(843)
Other liabilities	(15)	(14)
	<u>767</u>	<u>748</u>
Net Assets	<u>\$ 767</u>	<u>\$ 748</u>
AREF's share of real estate joint venture net assets	<u>\$ 307</u>	<u>\$ 299</u>

As of December 31, 2021, the Fund has a variable interest in 110 Main, LLC, as a result of the Fund's guarantee of a portion of 110 Main, LLC's long-term debt. The Fund's maximum exposure to loss as of December 31, 2021 with respect to its relationship with 110 Main, LLC, is approximately \$0.8 million, the amount of the debt guarantee provided.

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

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

Member Subscriptions Payable

From the point in time when funds are received by the Fund from investors until the funds are deployed, the funds remain in the Fund's subscription bank account which is a legally separate bank account and is segregated from all other bank accounts used by the Fund. The subscription bank account is used solely for the purposes of holding funds transferred to the Fund from investors prior to deployment of those funds as either member note investments or equity subscriptions. The Fund held pending equity subscriptions balances of \$0 thousand and \$100 thousand as of December 31, 2021 and 2020, respectively. The Fund held pending note subscriptions of \$2.86 million and \$0 million as of December 31, 2021 and 2020, respectively which are reflected in Member subscription payable and temporary notes.

Temporary Notes

When investor subscription funds are deployed, if those funds are equity subscriptions, the Member Subscriptions Payables balance converts to a temporary note which accrues interest at 6-8% per annum. The temporary note will convert to an

equity subscription on the first day following the quarter end in which the temporary note matures. The term and interest rate applicable to temporary notes varies. During 2021, the term and interest rate ranged from 6-15 months and 6-8% interest, respectively. The Fund recorded a temporary note liability of \$48.1 million and \$7.6 million as of December 31, 2021 and 2020, respectively which are reflected in Member subscription payable and temporary notes.

Member Notes

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

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

See the table below for the short-term and long-term member note balances as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<i>(US\$ in Thousands)</i>	
Short-Term Member Notes	\$ 2,860	\$ 6,053
Long-Term Member Notes	\$ 1,449	\$ 327
Line of Credit	\$ 4,000	\$ 1,000
Total Member Notes	\$ 8,309	\$ 7,380

Future principal payments of member notes and notes payable which are outstanding as of December 31, 2021 are as follows:

Years Ending December 31, *(US\$ in Thousands)*

2022	\$ 6,860
2023	629
2024	620
2025	200
Total	\$ 8,309

NOTE 7 - MORTGAGE LOANS AND NOTES PAYABLE

Mortgage loans and notes payable consists of the following as of December 31, 2021 and 2020 (at carrying value):

	<u>2021</u>	<u>2020</u>
	<i>(US\$ in Thousands)</i>	
4.14% Mortgage Note Payable (Alturas Eagle Marketplace, LLC), due in monthly installments of \$20 including interest, to October 2025, guaranteed by related parties and secured by the related real estate. Loan was refinanced May 2021 at 3.75% and monthly installments of \$40 to June 2031. No guaranty fee was charged.	\$ 7,771	\$ 3,877
3.75% Mortgage Note Payable (Alturas Eagle Market Place, LLC), due in monthly installments of \$1 through October 2031, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	338	-
3.10% Mortgage Note Payable (Alturas Westpark, LLC), due in monthly installments of \$30 including interest, to November 2027, guaranteed by the Fund and secured by the related real estate. Loan was refinanced in November 2020. During the 12 months of the new loan term, the loan is interest only. No guaranty fee was charged.	6,148	6,162

Mortgage Loans and Notes Payable Continued

	2021	2020
	<i>(US\$ in Thousands)</i>	
4.00% Mortgage Note Payable (Alturas Mission Village, LLC), due in monthly installments of \$17 including interest, to October 2024, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	3,306	3,370
3.70% Mortgage Note Payable (Alturas 1444 Entertainment, LLC), due in monthly installments of \$46 including interest, to September 2025, guaranteed by the Fund and secured by the related real estate. The interest rate for the loan was reduced in April 2020. No guaranty fee was charged.	8,006	8,256
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 \$30 including interest, to June 2027 secured by the related real estate.	5,687	5,786
4.57% Mortgage Note Payable (Alturas 1550 Tech Lane, LLC), due in monthly installments of \$22 including interest, to August 2022, guaranteed by related party and the Fund and secured by the related real estate. No guaranty fee was charged. Loan was refinanced June 2021 at 3.44% due in monthly installments of \$36 at which point the loan became guaranteed fully by the Fund and secured by the related real estate.	7,189	3,605
Variable interest rate Tenant Improvement Loan Payable, based on Wall Street Journal prime rate plus 0.50% (3.75% at December 31, 2020) (Alturas 1550 Tech Lane, LLC), due in monthly installments of \$10 including interest calculated based on the Federal Home Loan Bank of DeMoines 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 was charged. This loan was fully paid off when the principal loan at Alturas 1550 Tech Lane, LLC was refinanced in June 2021.	-	1,949
4.26% Mortgage Note Payable (Alturas Adelman, LLC), due in monthly installments of \$8 including interest, to August 2027, guaranteed by related parties and the Fund and secured by the related real estate. No guaranty fee was charged.	1,440	1,470
3.50% Mortgage Note Payable (Alturas Parkway Plaza, LLC), due in monthly installments of \$11 including interest, to February 2021, guaranteed by a related party and the Fund and secured by the related real estate. No guaranty fee was charged. The interest rate for the loan was reduced in May 2020. Loan was refinanced March 2021 at 3.50% and monthly installments of \$12 to March 2026 at which point the loan became guaranteed fully by the Fund and secured by the related real estate.	2,374	2,109
3.70% Mortgage Note Payable (Alturas Country Club Manor, LLC), due in monthly installments of interest only payment to March 2020, followed by monthly installments of \$44 including interest through March 2023, followed by monthly installments of \$48 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 DeMoines plus 2.65% to March 2028, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	7,294	7,501
3.50% Mortgage Note Payable (Alturas Cottonwood Plaza, LLC), due in monthly installments of \$17 including interest, to September 2023, guaranteed by a related party and the Fund and secured by the related real estate. The interest rate for the loan was reduced in April 2020. Interest rate is subject to change each 5 years based on the Federal Home Loan Bank of DeMoines 5 Year Regular Fixed Rate plus 2.35%. A guaranty fee of \$40 was charged.	3,176	3,271
3.50% Tenant Improvement Loan (Alturas Cottonwood Plaza, LLC), due in monthly installments of \$2 including interest, to September 2023, guaranteed by a related party and the Fund and secured by the related real estate. No guaranty fee was charged.	225	225
5.15% Mortgage Note Payable (Alturas Siete II, LLC), due in monthly installments of \$22 including interest, to January 2029, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	3,929	3,990

Mortgage Loans and Notes Payable Continued

	2021	2020
	<i>(US\$ in Thousands)</i>	
3.75% Mortgage Note Payable (Alturas Eagle Island, LLC), due in monthly installments of \$16 including interest to November 2026, followed by monthly installments of \$16 including interest calculated based on the Federal Home Loan Bank of DeMoines 5 Year Long Term Fixed Rate Bullet plus 2.50% to October 2031, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	3,112	2,215
5.00% Mortgage Note Payable (Alturas Decker Lake, LLC), due in monthly installments of \$30 including interest, to February 2024, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	4,733	4,846
5.00% 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 each to February 2024, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	122	151
3.50% Mortgage Note Payable (Alturas 4200 Hawthorne, LLC), due in monthly installments of \$44 including interest, to May 2026, guaranteed by the Fund and secured by the related real estate. The interest rate for the loan was reduced in July 2020. No guaranty fee was charged.	8,150	8,387
3.50% Mortgage Note Payable (7733 Emerald, LLC), due in monthly installments of \$2 including interest, to May 2024, followed by monthly installments of \$2 including interest calculated based on the Federal Home Loan Bank of DeMoines 5 Year Regular Fixed Rate Advance plus 2.35% to May 2029, guaranteed by the Fund and secured by the related real estate. The interest rate for the loan was reduced in June 2020. No guaranty fee was charged.	357	367
3.95% Mortgage Note Payable (Alturas Presidio, LLC), due in monthly installments of \$42 including interest to July 2026, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	8,769	8,937
3.75% Mortgage Note Payable (2206 Whitley, LLC), due in monthly installments of \$7 to February 2030. The interest rate for the loan was reduced in September 2020. Guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged. This loan was paid in full in March 2021.	-	1,224
3.75% Mortgage Note Payable (Alturas Sandcreek, LLC), due in monthly installments of \$12 including interest, to August 2029, guaranteed by the Fund and secured by the related real estate. The interest rate for the loan was reduced in May 2020. No guaranty fee was charged.	2,230	2,300
5.49% Mortgage Note Payable (Alturas Mountain Home, LLC), due in monthly installments of \$7 including interest, to November 2024, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	886	914
3.25% Mortgage Note Payable (Alturas Airport Center, LLC), due in monthly installments of \$54 including interest, to December 2023, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	10,783	11,090
6.00% Promissory Note (Alturas Airport Center, LLC), due in monthly interest only installments of \$5, to December 2022, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	1,000	1,000
3.88% Mortgage Note Payable (Alturas Centennial Tech Center, LLC), due in monthly interest only installments through February 2022, followed by monthly installments of \$53 to February 2030, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	11,242	11,242
3.60% Mortgage Note Payable (Alturas IGC, LLC), due in monthly installments of \$26 including interest, to January 2026, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	4,964	5,075

Mortgage Loans and Notes Payable Continued

	2021	2020
	<i>(US\$ in Thousands)</i>	
3.65% Mortgage Note Payable (Alturas Shops at 38th, LLC), due in monthly installments of \$22 including interest, to August 2025, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	4,137	4,244
Variable interest rate Mortgage Note Payable, based on one month LIBOR plus a 2.25% spread (2.39% as of December 31, 2020) (297 Wycoff, LLC), due in monthly installments of principal and interest payments to February 2023, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged. This note was paid in full in April 2021.	-	1,171
3.63% Mortgage Note Payable (Alturas Northcreek, LLC), due in monthly interest only installments through January 2023, followed by monthly installments of \$156 to December 2030, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	34,238	-
3.75% Mortgage Note Payable (Alturas Garden Gateway, LLC) due in monthly interest only installments through February 2022, followed by monthly installments of \$46 to February 2026, then \$48.5 to January 2031 based on a five-year Treasury Constant Maturity Rate and 4.23% to February 2031, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	9,960	-
3.60% Mortgage Note Payable (Alturas Sunset, LLC), due in monthly installments of \$19 including interest, to June 2031, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	3,714	-
3.64% Mortgage Note Payable (Alturas 1680 Westland, LLC), due in monthly installments of \$3 including interest, to June 2028, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	639	-
3.63% Mortgage Note Payable (Alturas Yosemite, LLC) due in monthly interest only installments through June 2024, followed by monthly installments of \$95 to June 2026, then \$99 to May 2031 based on a five-year Treasury Constant Maturity Rate and 3.98% to June 2031, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	20,998	-
3.63% Mortgage Note Payable (Alturas Stanford, LLC) due in monthly interest only installments through June 2024, followed by monthly installments of \$161 to June 2026, then \$167 to May 2031 based on a five-year Treasury Constant Maturity Rate and 3.98% to June 2031, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	35,321	-
3.50% Mortgage Note Payable (Alturas Space Center & Newport, LLC), due in monthly interest only installments through November 2024, followed by monthly installments of \$90 to October 2031, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	20,100	-
3.50% Mortgage Note Payable (Alturas Orchard Pointe, LLC), due in monthly interest only installments through November 2024, followed by monthly installments of \$70 to October 2031, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	15,713	-
4.12% Promissory Note and Mortgage Assumption Agreement (Alturas Metro Towne Center, LLC), due in monthly interest only installments through September 2022 followed by monthly installments of \$96 to September 2027, and secured by the related real estate. No guaranty fee was charged.	19,825	-
3.49% Mortgage Note Payable (Alturas Chinden & Midland, LLC), due in monthly interest only installments with two principal only installments of \$478 in July 2022 and \$495 in July 2023, guaranteed by the Fund and secured by the related real estate. No guaranty fee was charged.	4,634	-
	282,510	114,734
Less debt issuance costs	(4,114)	(1,335)
Mortgage Loans and Notes Payable (less unamortized debt issue costs)	\$ 278,396	\$ 113,399

Future principal payments of mortgage loans and notes payable which are outstanding as of December 31, 2021 are as follows:

Years Ending December 31, (US\$ in Thousands)	
2022	\$ 4,577
2023	17,984
2024	17,187
2025	16,420
2026	26,534
Thereafter	199,808
Total	\$ 282,510

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, 2021 and 2020, the net amount paid to the counterparty of the interest rate swap was \$46 thousand and \$28 thousand, respectively.

On July 30, 2019 Alturas Presidio, LLC was party to a swap agreement for a notional amount of \$9,150,000 at a fixed rate of 3.95%. The swap agreement, which requires paying and settling monthly, effectively converted \$9,150,000 of floating rate debt to fixed rate debt. The swap agreement terminates July 31, 2026. For the years ended December 31, 2021 and 2020, the net amount paid to the counterparty of the interest rate swap was \$165.8 thousand and \$118.2 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, 2021 and 2020, the net amount paid to the counterparty of the interest rate swap was \$35.6 thousand and \$0 thousand, respectively.

The tables above excludes the mortgage loan outstanding on 110 Main given that property is accounted for as an equity method investment and as such, the mortgage balance is not included in the mortgage loans and notes payable line on the Statement of Net Assets. For the years ended December 31, 2021 and 2020, the mortgage balance on 110 Main was \$837 thousand and \$859 thousand, respectively. As of December 31, 2021 the mortgage interest rate is 3.73% and monthly payments are \$4,485 with an expiration date of June 15, 2030.

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, 2021, the Fund and its properties were in compliance with the applicable loan covenants.

NOTE 8 - MINIMUM FUTURE LEASE REVENUES

As of December 31, 2021, 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)	
2022	\$ 42,266
2023	37,181
2024	32,259
2025	22,538
2026	15,588
Thereafter	26,028
Total	\$ 175,860

NOTE 9 - DISTRIBUTIONS AND ALLOCATIONS OF PROFITS AND LOSSES

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

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

Second, 70% to the members, pro rata in proportion to their ownership interest and 30% to the Manager. The Manager earned \$2.85 million in allocations of profits for the year ended December 31, 2021 and \$1.54 million in allocations of profits for the year ended December 31, 2020.

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, 2021 and 2020.

	Year Ended December 31,	
	2021	2020
	<i>(US\$ in Thousands)</i>	
Beginning Loan Receivable Balance	\$ 1,844	\$ 2,818
Borrowings	5,377	4,714
Repayments	(4,617)	(5,688)
Ending Loans Receivable Balance	\$ 2,604	\$ 1,844
Interest income on loans receivable	\$ 442	\$ 395
Accrued interest income as of December 31	\$ 123	\$ 48
Maximum Loan Receivable Balance During the Fiscal Year	\$ 3,148	\$ 2,788

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, 2021 and 2020 are summarized below:

	Year Ended December 31,	
	2021	2020
	<i>(US\$ in Thousands)</i>	
Asset Management Fees	\$ 1,301	\$ 685
Performance Income	\$ 2,803	\$ 1,541

As of December 31, 2021, Asset Management Fees payable were \$286 thousand and Performance Income payable was \$584 thousand. As of December 31, 2020, Asset Management Fees payable were \$64 thousand and Performance Income payable was \$479 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, 2021 and 2020 include the following:

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

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

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

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

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

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

The table below summarizes the fees paid for these services for the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
	<i>(US\$ in Thousands)</i>	
Fees for Services Performed		
Property Management Services	\$ 1,261	\$ 451
Project Management Services	98	95
Loan Brokerage Services	945	370
Due Diligence Services	241	71
Lease Brokerage Services	71	93
Development Services	-	50
Total Fees for Services Performed	\$ 2,616	\$ 1,130

As of December 31, 2021 and 2020, amounts payable to the Manager for the fees for services performed were \$841 thousand and \$386 thousand, respectively.

Fund Expenses Paid by the Manager

From time to time, an affiliated entity paid expenses on behalf of the Fund (generally travel expenses) to be reimbursed at a later date. For the year ended December 31, 2021 and 2020, the Fund reimbursed \$176 thousand and \$54 thousand, respectively, for Fund expenses paid by an affiliated entity. As of December 31, 2021 and 2020, the Fund did not owe any reimbursements to the affiliated entity.

Other Related Party Transactions

A family member of one of the executives of the Manager is an attorney who the Fund engaged to perform various legal services for the Fund and its properties. During the year ended December 31, 2021 and 2020, the Fund incurred a total of \$61 thousand and \$44 thousand of legal expenses, respectively to that attorney. As of December 31, 2021 and 2020, the Fund owed \$28 thousand and \$9 thousand, respectively to that attorney.

An executive of the Manager is a minority shareholder in a company which rents space from Alturas Parkway Plaza which was acquired in 2018. As of December 31, 2021, and 2020 the Fund collected \$43 thousand and \$44 thousand in rent from that company. As of December 31, 2021 and 2020, Alturas Parkway Plaza, LLC had collected \$0 thousand and \$3 thousand, respectively of prepaid rent each year from that tenant.

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, 2021 and 2020 the Fund incurred \$211 thousand and \$37 thousand, respectively for these services. As of December 31, 2021 and 2020 the Fund owed \$31 thousand and \$10 thousand, respectively to Alturas Property Services, LLC. Alturas Property Services, LLC also rents space from Alturas Siete I, LLC. As of December 31, 2021 and 2020 the Fund collected \$17 thousand and \$7 thousand, respectively in rent from the company.

The Fund engages a third-party administrator to perform various tasks with respect to fund administration and investor communications. The third-party administrator is an affiliate of three investors in the Fund. For the years ended December 31, 2021 and 2020, the Fund incurred a total of \$113 thousand and \$71 thousand, respectively for these services. As of December 31, 2021 and 2020, the Fund owed \$11 thousand and \$6 thousand, respectively 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, 2021 and 2020, no new guarantee fees were paid to related parties.

A non-controlling owner of three of the Fund's properties performs various services for the properties in which he holds an ownership interest such as project management services and lease brokerage services. During the year ended December 31, 2021 and 2020, the Fund incurred a total of \$102 thousand and \$90 thousand for these services, respectively. As of December 31, 2021 and 2020, the Fund owed \$13 and \$56 thousand, respectively to the non-controlling owner.

Various executives and employees of the Manager have invested in the Fund. As of December 31, 2021 and 2020, no executives or employees had a temporary note balance. The combined equity balance of executives and employees of the Manager and Alturas LLC (formerly known as Alturas Capital, LLC and partial owner of the Manager) investing in the Fund as of December 31, 2021 and 2020 was \$1.6 million and \$0.8 million, respectively.

For the year ended December 31, 2021 and 2020 the Fund has loaned \$1.78 million to related parties. \$0.03 million was loaned to a partner on the Alturas Ustick, LLC development, \$0.10 million was loaned to a non-controlling owner of Alturas 5617 Cleveland, LLC and \$1.65 million was loaned to a non-controlling owner of Alturas Metro Towne Center, LLC.

NOTE 11 - FINANCIAL HIGHLIGHTS

	Year Ended December 31,	
	2021	2020
	<i>(US\$ in Thousands)</i>	
PER UNIT OPERATING PERFORMANCE(*):		
Net Asset Value, Beginning of Period	\$ 1,487	\$ 1,459
INCOME FROM INVESTMENT OPERATIONS:		
Net investment income, before management fees	277	226
Net realized and unrealized gain on investments	116	75
Total from investment operations, before management fees	393	301
Less: Management fees	31	28
Total from investment operations	362	273
Distributions	(279)	(245)
Net Asset Value, End of Period	\$ 1,570	\$ 1,487
Total Return, before management fees, net of incentive allocation to manager (a):	26.83%	26.74%
Total Return, after management fees, net of incentive allocation to manager (a):	26.57%	26.46%
RATIOS / SUPPLEMENTAL DATA(*):		
Ratios to average net assets (b):		
Total expenses	42.15%	32.55%
Incentive allocation	7.91%	5.71%
Total expenses and incentive allocation	50.06%	38.26%
Net investment income (does not include net realized and unrealized gains)	22.40%	18.07%

(* 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 Carefree

On January 3, 2022, the Fund acquired a retail shopping center 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. The total acquisition price was approximately \$16.3 million. In connection with the purchase, Alturas Carefree, LLC incurred debt totaling \$11.1 million. The property is a multi-tenant property and was 98% leased as of the date of acquisition.

Acquisition of T5 Ontario

On January 5, 2022, the Fund and one unaffiliated third party acquired land to develop a Take 5 oil change site in Ontario, OR. The property is owned by T5 Ontario RE, LLC and the Fund holds a 60.00% interest in that entity. The remaining interest is held by one unaffiliated third party. The total acquisition price was approximately \$752 thousand. In connection with the purchase, T5 Ontario RE, LLC incurred no debt. The property is a single tenant development property and was 100% leased as of the date of acquisition.

Acquisition of Tucson Fiesta

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

The property is a multi-tenant property and was 100% leased as of the date of acquisition.

Acquisition of T5 Glenwood

On February 11, 2022, the Fund and one unaffiliated third party acquired land to develop a Take 5 oil change site in Garden City, ID. The property is owned by T5 Glenwood RE, LLC and the Fund holds a 60.00% interest in that entity. The remaining interest is held by one unaffiliated third party. The total acquisition price was approximately \$551 thousand. In connection with the purchase, T5 Glenwood RE, LLC incurred no debt. The property is a single tenant development property and was 100% leased as of the date of acquisition.

Acquisition of Star Development

On March 11, 2022 the Fund and one unaffiliated party acquired land totaling 0.49 acres planned to be developed into a two tenant retail center totaling 4 thousand square feet in Star, ID. The property is owned by Alturas CCP Star, LLC and the Fund holds a 50.10% interest in the entity. The remaining interest is held by one unaffiliated third party. The acquisition price was approximately \$491 thousand. In connection with the purchase, Alturas CCP Star, LLC incurred no debt. The property is a multi-tenant property and was 100% leased as of the date of acquisition

Acquisition of T5 Caldwell

On April 8, 2022, the Fund and one unaffiliated third party acquired land to develop a Take 5 oil change site in Caldwell, ID. The property is owned by T5 Caldwell RE, LLC and the Fund holds a 60.00% interest in that entity. The remaining interest is held by one unaffiliated third party. The total acquisition price was approximately \$1.1 million. In connection with the purchase, T5 Caldwell RE, LLC incurred no debt. The property consists of two pad sites with one site under contract to be sold to a credit union and the second leased to Take 5 as of the date of the acquisition.

Acquisition of T5 Ten Mile

On May 16, 2022, the Fund and one unaffiliated third party acquired land to develop a Take 5 oil change site in Caldwell, ID. The property is owned by T5 Ten Mile RE, LLC and the Fund holds a 60.00% interest in that entity. The remaining interest is held by one unaffiliated third party. The total acquisition price was approximately \$958 thousand. In connection with the purchase, T5 Ten Mile RE, LLC incurred no debt. The property is a single development property and was 100% leased as of the date of acquisition.

Sale of portion 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 \$874 thousand and no gain. Alturas Ustick, LLC continues to develop the remaining 2.89 acres at this property.

Cleveland Ownership

On March 18, 2022, three unaffiliated third parties invested in Alturas 5617 Cleveland, LLC resulting in the Fund holding 92.51% interest in the entity. The remaining interest is held by the aforementioned unaffiliated third parties.

Decker Lake Refinance

On June 13, 2022, Alturas Decker Lake, LLC's mortgage note payable loan was refinanced. The mortgage note payable increased to \$6.5 million due in monthly installments of \$37 thousand including interest, to June 2027, guaranteed by the Fund and secured by the related real estate. The interest rate is fixed at 4.81%. No guaranty fee was charged. On June 13, 2022, Alturas Decker Lake, LLC's tenant improvement loan was extinguished upon the refinance of the mortgage note payable loan.

Brightstar – Eagle Construction Loan

On June 22, 2022, Alturas Brightstar – Eagle, LLC entered into a construction loan for \$1.1 million due in monthly installments of interest only payments to June 2025 followed by one payment of all outstanding principal and interest on July 1, 2025, guaranteed by the Fund and secured by the related real estate. The interest rate is variable based on the 30-Day Average Secured Overnight Financing Rate as published by the Federal Reserve Bank of New York. No guaranty fee was charged.

Brightstar – Meridian Construction Loan

On April 27, 2022, Alturas Brightstar – Meridian, LLC entered into a construction loan for \$1.2 million due in monthly installments of interest only payments to February 2025 followed by one payment of all outstanding principal and interest on March 1, 2025, guaranteed by the Fund and secured by the related real estate. The interest rate is variable based on the 30-Day Average Secured Overnight Financing Rate as published by the Federal Reserve Bank of New York. No guaranty fee was charged.

T5 Ontario Construction Loan

On April 21, 2022, T5 Ontario RE, LLC entered into a construction loan for \$1.2 million due in monthly installments of interest only payment to May 2023, followed by monthly installments of \$7 thousand including interest, to April 2026, guaranteed by the Fund and secured by the related real estate. The interest rate is variable based on The Prime Lending Rate by JP Morgan Chase Bank. No guaranty fee was charged.

The Fund has evaluated subsequent events through June 23, 2022, the date, which the financial statements were available to be issued.