



ALTURAS
REAL ESTATE FUND
www.alturas.com

Quarterly Report | 3rd Quarter 2018

ALTURAS

REAL ESTATE FUND

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Key Numbers*

33.53%

Realized return - 3rd quarter

18.72%

Realized return - since inception

27.29%

Total return - 3rd quarter

29.22%

Total return - since inception

\$2.40M

Quarterly distributable net income

\$4.23M

Distributable net income - 2018

*Stated returns are average annualized investor returns. Individual investor returns may vary based on the unit pricing at the time of investment. Distributable net income includes realized gains and losses and excludes unrealized gains and losses recorded during the period.

Cover Photo:
Maroon Bells Milky Way near Aspen, Colorado.
Photo by Lars Leber

Inside Cover Photo:
Garden of the Gods near Colorado Springs,
Colorado.
iStockphoto by Ronda Kimbrow

Dear Investors,

This has been a special quarter for the Fund. We sold Treasure Valley Crossing ("TVC") for a significant realized gain, and replaced this asset with the purchase of three new properties in the fund. The average net realized return for the third quarter was 33.53% (annualized), while the average total return for the quarter, including unrealized gains, was 27.29% (annualized). Congratulations!

The primary driver behind the great realized return for the quarter was the sale of TVC. We sold the property for a price that was above what we had determined as the fair market value, demonstrating our ability to sell assets above their intrinsic value. It is always difficult for us to sell assets, because it is very challenging to find new properties to add to replace existing assets and because our main focus is to create a portfolio of cash generating assets with residual cash flow and predictable returns. However, every once in a while we plan to sell assets when it makes sense.

Some of you might ask why the total return was lower than the realized return for the quarter. This is because we had previously made a fair market adjustment to the TVC, resulting in an unrealized gain on our books. Upon the sale of TVC, the unrealized gain was backed out and turned into an unrealized loss, allowing all of the gain on the sale to be treated as a realized gain. In short, the unrealized gain from a previous quarter was converted to a realized return this quarter.

We replaced the TVC asset and cash flow with three new acquisitions including the 5804 Fairview and Cottonwood Plaza assets in Boise, Idaho, as well as a build-to-suit Dutch Brothers project in Colorado Springs, Colorado. While deal flow is very competitive, our partnerships and networks continue to grow in our geographic footprint. We continue find new opportunities, and we are still adding great properties to our portfolio.

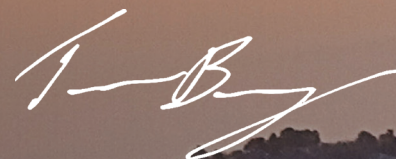
While the exact timing of future acquisitions is difficult to project, we have several projects under contract to purchase, including one scheduled to close in November and two in December, along with many more in various stages of underwriting.

Thank you for your continued support and for investing with us!

Sincerely,



Blake Hansen, Chief Investment Officer
Alturas Capital Partners, LLC



Travis Barney, Chief Credit Officer
Alturas Capital Partners, LLC

Contents

4	Fundraising
5	Investment Overview
6	Fund Performance Summary
8	New Investments
	5804 Fairview
	Cottonwood Plaza
	Dutch Bros Colorado
10	Existing Portfolio
	The Ashby on Osborn
	Parkway Plaza
	1550 Tech Lane
	Adelmann Building
	Siete Square
	12005 Meridian
	Dutch Bros Caldwell
	595 Washington
	1444 Entertainment
	Treasure Valley Crossing
	Mission Village
	Alturas Homes
	Westpark
	110 Main
	Eagle Marketplace

All projections are hypothetical and predicated upon various assumptions that may or may not be identified as such. The future operating and financial performance information contained herein is for illustrative purposes and is not intended to portray any sort of targeted or anticipated returns. There can be no assurance that the Fund will achieve its investment objectives and actual performance may vary significantly.

Fundraising

High Investor Demand; Investor Strategies for Deploying Capital with Alturas

We have very high demand from investors who wish to invest money with us. Many of our current investors want to invest more while many new investors want to begin investing with us.

To ensure you have the first opportunity to place additional capital into the Fund we suggest two strategies:

- **Reinvest your dividends.** This ensures your dividend is subscribed every quarter on the first day following the end of the quarter. Another advantage of the reinvestment option is the capital is invested at the previous quarter's unit price.
- **Invest in our note program.** In addition to our equity offering, we are also raising up to \$3 million in notes from investors. These are 24-36 months bearing 6-8% interest and have a priority position in the fund.

Here are some advantages of the note offering:

- Notes are placed at the front of the queue, and deployed first, before all equity investors.
- Investors can diversify their investments by investing in notes as well as equity.
- Notes are in a priority collateral position ahead of equity investments.

As summarized in the table below, as of November 2nd, 5% of the Fund's capital is in the form of notes. Our conservative target is to have 10% of Fund capital in the form of notes.

	Notes	Equity
End of Q3-2018	3%	97%
Target	10%	90%

Please let us know if you are interested in our note program. We are still looking for investors who would like to participate. Contact us at invest@alturas.com.

Fund Description

The Alturas Real Estate Fund, LLC was formed by Alturas Capital to provide high net worth individuals and accredited investors access to professionally managed real estate investments.

The Fund is a \$100 million equity offering, created to make value-add commercial and residential real estate investments. The Fund targets middle-market properties frequently ignored by larger funds. These properties can be profitable as a diverse portfolio that protects the investor's downside risk.

The Fund was created in May 2015 and owns properties primarily in the Intermountain West and Pacific Northwest. Managers of the Fund are continually searching for new properties to add to the Fund that meet strict underwriting criteria including a margin of safety, with a focus on cash flows.

Summary of Debt Offering

Return range:	6-8% interest rate, paid quarterly
Investment type:	Secured notes
Debt offering cap:	\$3 million (Current)
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Security:	Priority position before equity investors

Summary of Equity Offering

Preferred return:	8% paid quarterly
Profit split:	70% to investors, 30% to manager after preferred return
Fees:	Asset management fee: 1.5%, no acquisition or disposition fees
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Targeted returns:	9-14%

Investment Overview

Other Fund Metrics

\$25.08M Aggregate capital raised as of 9/30/18	\$7.56M Distributions since inception
70+ Investors in the Fund	\$1,370.75 Unit price as of 1/1/19
\$88.60M Assets under management (AUM)	780,128 SF Total Portfolio Square Footage

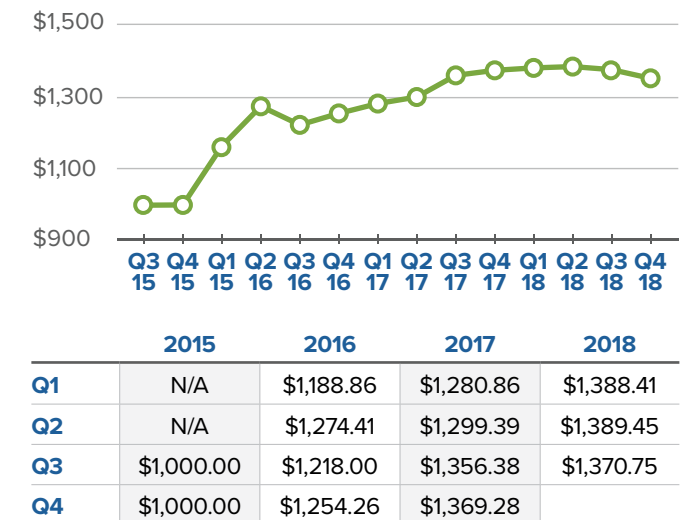
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Realized Return by Month (Annualized)

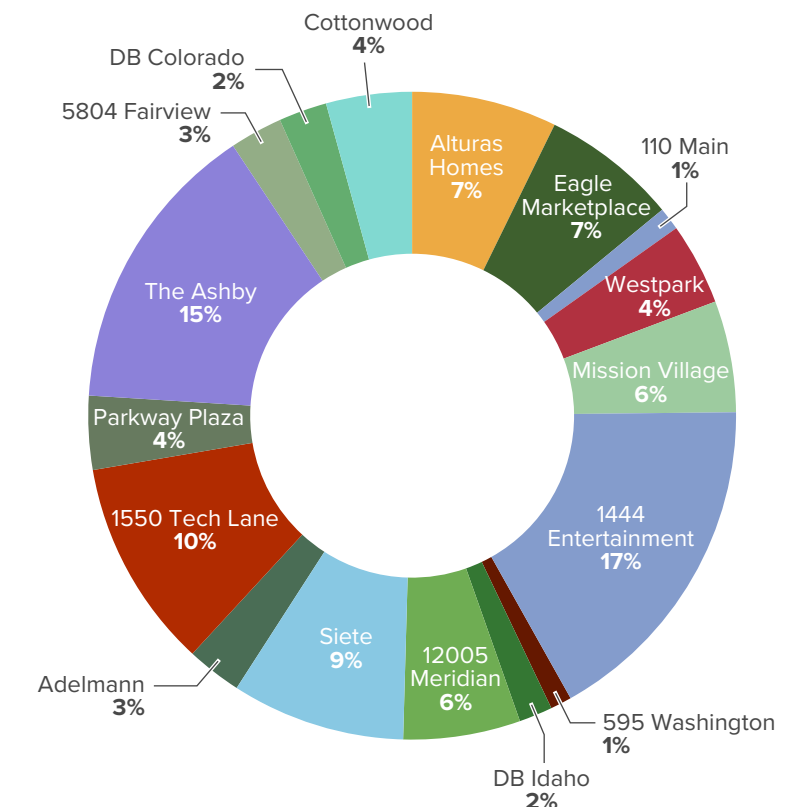
	2015	2016	2017	2018
January	N/A	13.37%	9.45%	12.90%
February	N/A	17.84%	15.17%	16.30%
March	N/A	14.84%	17.33%	15.91%
April	N/A	13.08%	16.08%	17.47%
May	13.64%	14.69%	11.39%	16.22%
June	13.64%	14.70%	29.02%	16.81%
July	13.62%	97.15%	13.89%	15.71%
August	11.79%	13.49%	16.21%	69.40%
September	23.57%	15.93%	14.53%	15.43%
October	14.90%	14.34%	15.16%	13.30%
November	15.15%	13.34%	13.90%	
December	15.04%	16.32%	13.18%	
	15.34%	19.33%	17.82%	18.72%

Average Net Realized Return Since Inception

Unit Price (Since Inception)



Fund Investment by Property



Fund Performance Summary

As of 9/30/18

Sold Investments

Investment	Date of Investment	Date of Liquidation	Property Type	MSA	Size	Status	Occupancy	Cost Basis	Fair Market Value/Sold Price	Fund Investment	Risk Profile
1. Legends Townhomes	Dec-15	Jul-16	Multi-family	Kansas City, MO	18 Units	Sold	N/A	1,250,000	2,020,000	N/A	Core Plus
2. 1124 Caldwell Blvd	Oct-15	Jun-17	Retail	Boise, ID	2,646	Sold	N/A	844,338	1,050,000	N/A	Value Add
3. 12000 Deep Canyon*	Sep-17	Sep-17	Single Family	Boise, ID	1 Unit	Sold	N/A	605,000	605,000	N/A	Residential Value Add
4. Treasure Valley Crossing	Sep-16	Aug-18	Retail	Boise, ID	21,000	Sold	N/A	4,032,541	5,650,000	N/A	Core Plus

Current Investments

1. Alturas Homes*	Jun-15		Single Family	Boise, ID	39 Units	In Progress	N/A	1,494,052	1,494,052	1,494,052	Residential New Construction
2. Eagle Marketplace	Sep-15		Retail	Boise, ID	60,024	Stabilized	96%	5,432,259	7,911,082	1,398,644	Value Add
3. 110 Main	Oct-15		Office	Boise, ID	6,230	Lease-up	0%	1,139,946	1,139,946	234,558	Value Add
4. Westpark	Feb-16		Industrial	Boise, ID	117,510	Stabilized	100%	6,414,001	6,675,733	844,277	Tenant-in-Tow
5. Mission Village	Sep-16		Retail	Wenatchee, WA	32,551	Lease-up	63%	4,511,259	4,511,259	1,146,000	Value Add
6. 1444 Entertainment	Dec-16		Office	Boise, ID	78,573	Stabilized	98%	12,848,723	13,389,506	3,510,618	Value Add
7. 595 Washington	Dec-16		Industrial	Twin Falls, ID	11,195	Stabilized	100%	723,579	795,454	219,174	Tenant-in-Tow
8. Dutch Bros Caldwell	Apr-17		Retail	Boise, ID	874	Stabilized	100%	1,404,796	1,692,900	344,376	Build-to-Suit
9. 12005 Meridian	Apr-17		Retail	Seattle, WA	7,388	Lease-up	55%	3,996,449	3,996,449	1,204,260	Build-to-Suit
10. Siete Square	Jun-17		Office	Phoenix, AZ	57,933	Stabilized	94%	8,510,168	8,510,168	1,786,709	Core Plus
11. Adelman Building	Jul-17		Retail	Boise, ID	14,704	Stabilized	100%	2,182,682	2,182,682	567,459	Core Plus
12. 1550 Tech Lane	Aug-17		Industrial	Boise, ID	105,759	Stabilized	100%	6,848,525	6,848,525	2,153,499	Value Add
13. Parkway Plaza	Feb-18		Retail	Idaho Falls, ID	75,300	Lease-up	77%	4,224,708	4,224,708	758,027	Value Add
14. The Ashby on Osborn	Mar-18		Office	Phoenix, AZ	89,230	Lease-up	66%	10,638,312	10,638,312	3,025,842	Value Add
15. 5804 Fairview	Aug-18		Retail	Boise, ID	22,500	Stabilized	100%	2,244,826	2,244,826	543,380	Tenant-in-Tow
16. Dutch Bros Colorado Springs	Aug-18		Retail	Colorado Springs, CO	874	Under Construction	100%	497,564	497,564	495,741	Tenant-in-Tow
17. Cottonwood Plaza	Sep-18		Office	Boise, ID	43,426	Lease-up	72%	4,381,110	4,381,110	883,149	Value Add
Total					724,071 SF		88%	\$77,492,959	\$81,134,274	\$20,609,766	

*Subordinated notes.

Acquisition Pipeline

Investment	Est. Date of Investment	Property Type	MSA	Size	Status	Estimated Occupancy at Acquisition	Contracted Purchase Price	Estimated Fund Investment	Risk Profile
Chinden & Linder Development	Oct-18 (Closed)	Retail	Boise, ID	10,000	Under Contract	73%	3,200,000	730,000	Build-to-Suit
IGCP	Nov-18	Industrial/Flex	Spokane, WA	74,000	Under Contract	91%	7,060,000	2,000,000	Value Add
Siete II	Dec-18	Office	Phoenix, AZ	53,880	Under Contract	86%	5,657,400	1,800,000	Core Plus
Shops at Decker Lake	Dec-18	Retail	Salt Lake City, UT	52,250	Under Contract	73%	7,200,000	2,200,000	Value Add
Total				190,130 SF		83%	\$23,117,400	\$6,730,000	

New Investments



5804 Fairview

Boise, ID

Property Type: Retail
Size: 22,500 SF

On August 14th, 2018 the Fund acquired 5804 Fairview, a 22,500 SF retail property in Boise, ID. The previously vacant property has been leased by Spokane-based regional furniture retailer Wallaroo's, making this store their second location in Idaho and fifth overall.

The property is centrally located at the busy intersection of Fairview Avenue and Curtis Road. Fairview is a primary east/west retail corridor, and Curtis is one of the few north/south connections that crosses the Boise River.

Approximately 60,000 vehicles pass through the intersection each day and it has excellent access to downtown Boise and I-84. Through our collaborative and hands-on approach with the brokerage community, we were able to find a tenant that could take advantage of the heavily trafficked intersection. Due to this approach of solving the vacancy problem prior to acquisition the asset will provide excellent cash flow and returns to the Fund from day one.



Cottonwood Plaza

Boise, ID

Property Type: Office
Size: 43,426 SF

On September 6th, 2018 the Fund has acquired Cottonwood Plaza, a 43,426 square foot office property located at 350 Mitchell St. in Boise, ID. The property is 72% leased with approximately 12,000 SF of direct vacancy. Existing tenants include Zayo, Access2Care, and iTrade.

Alturas has extensive plans to renovate the property, including new contemporary signage, landscaping and facade improvements, and exterior LED lighting upgrades.

Cottonwood Plaza compliments our growing and diverse portfolio very well, it is a centrally located asset with good in-place tenancy.

We are looking forward to working with our team to enhance the property. Our hands-on tenant friendly approach to leasing and management, combined with the significant property improvements we are undertaking, will make Cottonwood Plaza a great place for our current and future tenant clients to operate their businesses for years to come.



Dutch Bros Colorado

Colorado Springs, CO

Property Type: Retail
Size: 874 SF

The Fund acquired a pad site in Colorado Springs, CO and signed a corporate guaranteed lease with Dutch Brothers. The location is on a busy and fast growing intersection of Colorado Springs. Colorado Springs is a strategic market for the Fund, with strong job and population growth.

The Fund will be building the property over the coming months. This project is very similar to the successful Caldwell, Idaho Dutch Brothers project.



Existing Portfolio



The Ashby on Osborn
Phoenix, Arizona

In March, we purchased The Ashby on Osborn (formerly known as Country Club Manor), a 89,230 SF office building. We have already completed the renovation one of the lobbies and we are in the process of renovating the other. We are also upgrading the signage and exterior of the property. There are several prospective tenants currently interested in leasing the vacant space in the project as leasing activity remains positive.



Parkway Plaza
Idaho Falls, Idaho

In February, we closed on Parkway Plaza, a 75,300 SF shopping center in Idaho Falls, Idaho. The center was lender-owned and liquidated by the same special-servicer from which the Fund has purchased other assets. Prior to close, Planet Fitness executed a lease for 41,711 SF to anchor the property for a 10-year term. We are currently upgrading the signage at the property and working with our local brokers to fill the vacancy.



1550 Tech Lane
Meridian, Idaho

1550 Tech Lane is a multi-use industrial/office building in Meridian, Idaho. The 105,759 SF two-story building is centrally located in the Treasure Valley with convenient access to I-84 and excellent visibility from the freeway. We were able to sign new long-term leases with two tenants which brings the project to stabilization. The tenant improvements were recently completed for those tenants and they are now in occupancy.



Adelmann Building
Boise, Idaho

In July of 2017, the Fund acquired its first investment in downtown Boise, the Adelmann Building, a 14,704 SF two-story retail building. The asset is fully leased but has upside as the existing tenants are doing very well at this location and their current rents are below market. We are working with the city of Boise to improve the streetscape around the building including adding awnings to provide additional patio space for our tenants.



1444 Entertainment
Boise, Idaho

Fourteen Forty-Four is an ~80,000 SF Class-A office building. Since acquisition, new leases have been signed that bring the total occupancy to 100%. An entire floor was leased to Clickbank and Truckstop.com significantly expanded their footprint in the building. Those tenants are all now in occupancy and paying rent. We have also recently completed renovations to the lobby and landscaping around the building to further enhance the value of the asset.



Treasure Valley Crossing
Nampa, Idaho

Treasure Valley Crossing is a 21,000 SF retail property, located in the main retail shopping area of Nampa, Idaho. Nearby retailers include Costco, Target, McDonald's and Panera. The building is 100% occupied and there are long-term leases with the two tenants: Paul Mitchell the School and Stevens-Henager College. The asset was sold in Q3 2018 for a large profit.



Mission Village
Wenatchee, Washington

Mission Village is a 32,271 SF retail center in eastern Washington. The Fund purchased the property with significant vacancy and has been working with our local broker partners to attract additional tenants. We have signed several new leases and the occupancy is currently at 63%. While the property performs adequately at current occupancy levels, there is additional leasing interest and we hope to have the property fully stabilized in the coming months.



Alturas Homes
Boise, Idaho Metro

The Fund continues to make investments in residential real estate. As the Fund grows, this asset class continues to shrink as a percentage of the total portfolio. At this point in the cycle there is a pronounced lack of single-family home inventory in the market. Fund management remains vigilant about any changes to the market and continues to focus on homes located in the most desirable communities in the area.



Siete Square
Phoenix, Arizona

In June of 2017, the Fund acquired a 57,933 SF two-story office property in Phoenix, Arizona. The property, Siete Square I, lies within the Midtown submarket north of Phoenix's CBD. We recently completed a renovation of the lobby and common areas at the building. Since then, we have had one existing tenant renew and another agreed to expand into additional space at the building. This asset continues to provide excellent recurring cash flow to the Fund due to our attractive acquisition cap rate.



12005 Meridian
Puyallup, Washington

12005 Meridian is a build-to-suit 7,274 SF retail building in the Seattle metro area. The site was formerly the location of a thrift store. Situated along the primary retail corridor in Puyallup, the property was severely underutilized. Construction of the building was completed in the spring and the primary tenant (City MD) is now open for business. The property is currently under contract and scheduled to close in November.



Dutch Bros Caldwell
Caldwell, Idaho

In September of last year, the Fund completed construction on a new 874 SF Dutch Bros in Caldwell, Idaho. Dutch Bros is a popular drive-thru coffee chain headquartered in Grants Pass, Oregon known for its specialty coffee, teas & smoothies. The tenant has now been in occupancy and successfully operating for nearly one year.



595 Washington
Twin Falls, Idaho

595 Washington is an 11,195 SF industrial building that is entirely leased to St. Luke's Regional Medical Center who is the largest hospital system in the region. The property was purchased vacant with the tenant-in-tow. The parcel includes additional land and we have explored expansion options with St. Luke's and other users as several tenants have inquired about the property.



Westpark
Boise, Idaho

Westpark is a 117,510 SF industrial and office property located in Boise, Idaho. The property consists of two buildings and has excellent access to I-84. The property is leased to Patrick Industries, a publicly traded manufacturing company with strong financial performance and prospects. The asset provides consistently strong recurring cash flow to the Fund.



110 Main
Boise, Idaho

110 Main is a historic mansion well located in downtown Boise that has been converted to a commercial building. The property is currently being marketed for rent or sale and has received considerable activity and interest but limited offers. The nearby hospital recently began a major expansion and renovation which should help in our efforts to lease or sell the property.



Eagle Marketplace
Eagle, Idaho

Eagle Marketplace is a 60,024 SF retail center located at the intersection of two key arterial roads. This project continues to outperform our initial underwriting. As of August, occupancy is now up to 96% from 50% at the time of acquisition. Leasing activity remains strong and remarkably, only two suites remain to be leased before the project reaches 100% occupancy.

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