



ALTURAS
REAL ESTATE FUND
www.alturas.com

Quarterly Report | 4th Quarter 2017

ALTURAS REAL ESTATE FUND

Blake Hansen
Chief Investment Officer
Alturas Management Group, LLC
blakehansen@alturas.com
(208) 921-5934

Key Numbers*

14.08%

Realized return - 4th quarter

17.82%

Realized return - since inception

31.30%

Total return - since inception

\$744K

Quarterly net income

\$2.5M

Net income - 2017

*Stated returns are average investor returns.
Individual investor returns may vary based on
the unit pricing at the time of investment.

Cover Photo:
Powder Day at Tamarack Ski Resort
Photo by Mark Solon

Inside Cover Photo:
Sawtooth National Wilderness: Sawtooth Lake
Photo by Zachary Reiss-Davis

Dear Investors,

We are excited about what we accomplished in 2017 and look forward to a successful 2018 in the Alturas Real Estate Fund!

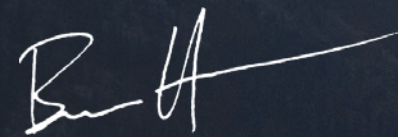
The key performance metric we use to measure success is investor returns. Net returns to investors averaged **14.08%** for the fourth quarter and **17.82%** since we started the Fund. This is the portion that is paid out quarterly to investors. However, total average net returns, which include fair value adjustments, have been **31.30%** since the inception of the Fund.

We measure risk in the portfolio through a debt service coverage ratio calculation. As of 12/31/17, this ratio stood at **2.05x**, meaning that the Fund is producing strong cash flows, and could lose over one-half of the current net operating income and still cover its debt obligations. We sleep well at night knowing that the portfolio is ready for a market correction.

We expect to purchase two new properties in the first quarter of 2018, plus additional assets throughout the year. Today is a great time to invest more in the Fund.

Thank you again for your 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

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.

Contents

4	Fundraising
5	Investment Overview
6	Fund Performance Summary
7	Case Study: Eagle Marketplace
8	Pending Investments
	Parkway Plaza
	Country Club Manor
10	Portfolio
	Adelmann Building
	1550 Tech Lane
	Siete Square
	12005 Meridian
	Dutch Bros Caldwell
	595 Washington
	1444 Entertainment
	Treasure Valley Crossing
	Mission Village
	Alturas Homes
	Westpark
	110 Main
	Eagle Marketplace
	Deep Canyon
	1124 Caldwell
	Legends Townhomes

Fundraising

High Investor Demand

We currently have very high investor demand to place new money in the Fund. Having this cash allows us to purchase new investments in the portfolio, adding diversification and cash flow.

New money is first placed in a subscription account, earning no interest, until it is deployed in the Fund. Typically, money sits in the subscription account for 2-4 months, but may sit as long as 6 months. All money is deployed into the Fund on a first-in, first-out basis. Cash must be in the account in order for you to be placed in the queue.

Priority for Debt Investments

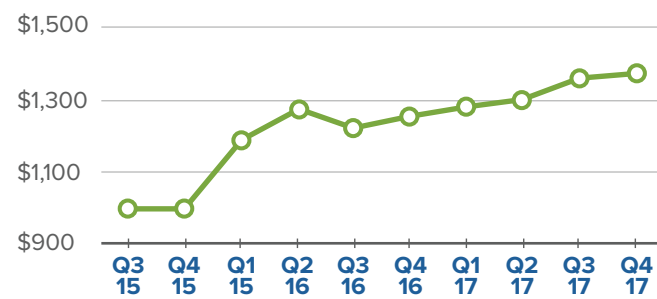
We are currently raising up to \$1 million in debt from investors, on 24-36 month notes, bearing 6-8% interest. Here are some advantages of the debt offering:

- Placed at the front of the queue, and deployed first, before all equity investors.
- Priority collateral position, ahead of equity investments.
- Investors are diversifying by investing both equity and debt in the Fund.

Please contact us if you are interested.

Unit Price

(Since Inception)



	2015	2016	2017
Q1	N/A	\$1,188.86	\$1,280.86
Q2	N/A	\$1,274.41	\$1,299.39
Q3	\$1,000.00	\$1,218.00	\$1,356.38
Q4	\$1,000.00	\$1,254.26	\$1,369.28

Fund Metrics

\$20.9M Total capital raised to date	\$3.5M Distributions paid to date
50+ Investors in the Fund	\$1,369.28 Unit price as of 1/1/18
\$66.8M Assets under management (AUM)	\$7.0M Expected capital to be raised in Q4 & Q1 2018

Realized Return by Month

(Annualized)

	2015	2016	2017
January	N/A	13.37%	9.45%
February	N/A	17.84%	15.17%
March	N/A	14.84%	17.33%
April	N/A	13.08%	16.08%
May	13.64%	14.69%	11.39%
June	13.64%	14.70%	29.02%
July	13.62%	97.15%	13.89%
August	11.79%	13.49%	16.21%
September	23.57%	15.93%	14.53%
October	14.90%	14.34%	15.16%
November	15.15%	13.34%	13.90%
December	15.04%	16.32%	13.18%

Average Net Realized Return Since Inception 17.82%

Investment Overview

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 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 meets strict underwriting criteria including margin of safety, with a focus on cash flows.

Investment Allocation Overview



Summary of Debt Offering

Return range:	6-8% interest rate, paid quarterly
Investment type:	Secured notes
Debt offering cap:	\$1 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%

Fund Performance Summary

As of December 31, 2017

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	Oct-17	Single Family	Boise, ID	1 Unit	Sold	N/A	605,000	605,000	N/A	Residential Value Add

Current Investments

1. Eagle Marketplace	Sep-15		Retail	Boise, ID	60,024	Lease-up	91%	5,368,237	7,412,473	1,338,644	Value Add
2. 110 Main	Oct-15		Office	Boise, ID	6,230	Lease-up	0%	1,091,472	1,091,472	209,558	Value Add
3. Westpark	Feb-16		Industrial	Boise, ID	117,510	Stabilized	100%	6,414,001	6,675,733	844,277	Tenant-in-Tow
4. Alturas Homes*	Jun-15		Single Family	Boise, ID	67 Units	In Progress	N/A	2,742,440	2,742,440	2,742,440	Residential New Construction
5. Mission Village	Sep-16		Retail	Wenatchee, WA	32,271	Lease-up	68%	4,409,016	4,409,016	1,146,000	Value Add
6. Treasure Valley Crossing	Sep-16		Retail	Boise, ID	21,000	Stabilized	100%	3,791,205	4,293,987	1,104,000	Core Plus
7. 1444 Entertainment	Dec-16		Office	Boise, ID	78,573	Stabilized	98%	12,657,539	13,198,322	3,510,618	Value Add
8. 595 Washington	Dec-16		Industrial	Twin Falls, ID	11,195	Stabilized	100%	723,579	795,454	154,174	Tenant-in-Tow
9. Dutch Bros Caldwell	Apr-17		Retail	Boise, ID	874	Stabilized	100%	1,398,796	1,686,900	344,376	Build-to-Suit
10. 12005 Meridian	Apr-17		Retail	Seattle, WA	7,274	Under Construction	55%	3,049,595	3,049,595	1,604,260	Build-to-Suit
11. Siete Square	Jun-17		Office	Phoenix, AZ	57,933	Stabilized	92%	8,252,314	8,252,314	1,755,814	Core Plus
12. Adelman Building	Jul-17		Retail	Boise, ID	14,704	Stabilized	100%	2,172,097	2,172,097	567,459	Core Plus
13. 1550 Tech Lane	Aug-17		Industrial	Boise, ID	105,759	Stabilized	100%	6,052,409	6,052,409	2,083,499	Value Add
Total					513,347 SF		94%	\$58,122,698	\$61,832,210	\$17,405,119	

Acquisition Pipeline

Investment	Est. Date of Investment	Property Type	MSA	Size	Status	Estimated Occupancy at Acquisition	Contracted Purchase Price	Estimated Fund Investment	Risk Profile
Parkway Plaza	Feb-18	Retail	Idaho Falls, ID	75,300	Under Contract	77%	4,000,000	1,000,000	Value Add
Country Club Manor	Mar-18	Office	Phoenix, AZ	89,230	Under Contract	70%	9,750,000	3,500,000	Value Add
Sunset Corner	Apr-18	Retail	St. George, UT	135,241	LOI	63%	10,000,000	3,350,000	Value Add
Dutch Bros Riverbank	Apr-18	Retail	Modesto, CA	874	Under Contract	100%	1,300,000	350,000	Build-to-Suit
Dutch Bros Colorado Springs	May-18	Retail	Colorado Springs, CO	874	Under Contract	100%	1,000,000	250,000	Build-to-Suit
Total				301,519 SF		69%	\$26,050,000	\$8,450,000	



*Subordinated notes.

Case Study

Eagle Marketplace



Project Metrics

9/11/15 Acquisition Date	32.66% Current Total Return
\$4.1M Total Acquisition Cost	20.66% Annualized Return at Acquisition
\$7.4M Fair Value	2.50x Debt Service Coverage

In September 2015, the Fund acquired Eagle Marketplace, a value-add, retail center. The performance of this property over the past two years is an excellent example of our investment strategy to find underperforming real estate assets and reposition them for success. At acquisition, the property was 50% occupied; as of 12/31/17 there are now leases in place that take the occupancy to 93%.

The Challenges

Visibility — Despite sitting at a major intersection, previously the buildings and signage were concealed from drivers and pedestrians due to overgrown trees and landscaping berms.

Passive Ownership — The previous owner lived out of state and managed the property very passively. Over time, this led to increased vacancy and below-market lease rates.

Cost Basis — The previous owner purchased the property at the height of the real estate bubble and overpaid for the asset. As tenants vacated and the property cash flow decreased, the owner could not reinvest in the property and make the changes necessary to attract new tenants.

The Solutions

The berms were removed and the landscaping was reconfigured to maximize visibility while remaining aesthetically pleasing. Overgrown trees were trimmed and in some cases removed and the signage was replaced with much larger modern signs which included large state of the art electronic signage.

Alturas was able to leverage its unique infrastructure, culture, strategies, knowledge, professional relationships, capital and team to actively manage the property to its full potential.

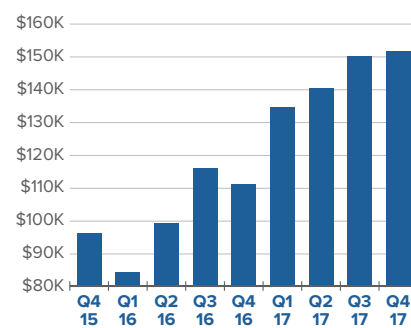
Due to the distressed nature of the property, Alturas was able to acquire it at a discounted price. As a result, we have been able to make the necessary improvements at the property and provide flexibility when working with current and prospective tenants.

The Results

A few key metrics further underscore the improvement that has taken place.

At acquisition the monthly net operating income for the property was **\$21,869**. Income has increased steadily over the past 2 years to **\$33,190** as of **12/31/16** and then to **\$48,427** as of **12/31/17**, a **121%** increase from that first month. New leases will increase this even more.

NOI by Quarter



Pending Investments



Parkway Plaza

Idaho Falls, ID

Property Type: Retail
Size: 75,300 SF
Purchase Price: \$4M

In February, we will be closing on Parkway Plaza, a 75,300 SF shopping center in Idaho Falls, Idaho. The center is lender owned, and is being liquidated by the same special-servicer from which the Fund has purchased other assets. The Fund's track record with this special-servicer has allowed for the acquisition of the asset at a great entry price.

While the property has been severely mismanaged by the previous owner, the center is well located, and shadow anchored by two national grocers. In September 2017, Planet Fitness executed a lease for 41,711 SF to anchor the property for a 10-year term. Planet Fitness recently completed their tenant improvements and opened for business on 12/31/17, bringing the in-place cap rate to over 8% and the occupancy to 77%. With Planet Fitness now in occupancy, the Fund is stepping into significant leasing momentum.

Not only does this property provide additional upside through leasing the currently vacant space but there are also two vacant pad sites included in the purchase that will be appealing to fast-food and other pad users. Developing those two pad sites and potentially adding national tenants should further enhance the value of this property.



Country Club Manor

Phoenix, AZ

Property Type: Office
Size: 89,230 SF
Purchase Price: \$9.75M

In March, we intend to close on Country Club Manor, a 89,230 SF office building located in central Phoenix, Arizona, adjacent to the Phoenix Country Club. The property will be 70% occupied at acquisition and will provide a good return from the in-place income, with significant upside as additional space is leased.

There are two prospective tenants currently considering leasing vacant space in the project. If they proceed to lease the space, the occupancy would increase to 95%. While these two leases are in the preliminary stages and may not materialize, it is encouraging to see significant leasing activity in the 30 days the property has been under contract.

The seller is motivated to sell due to an arrangement with their current lender. Additionally, the seller has lost existing and prospective tenants due to mismanagement. We have a plan to correct these operating mistakes, and stabilize the property with new tenants. We have partnered with a prominent local office broker with expertise in this submarket, who lives near the adjacent country club. He will have a substantial minority investment in the property creating alignment with the Fund to reposition the asset.

Portfolio



Adelmann Building
Boise, Idaho

In July, the Fund acquired its first investment in downtown Boise, the Adelmann Building, a 14,704 SF two-story retail building. It is located directly across from Boise City Hall and a block away from the steps of the Idaho State Capitol. 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.



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. The building was constructed with high-end features including a clear height not normally found in the market. We are in the final stages of signing long term leases with two tenants which when signed will bring the project to stabilization.



Siete Square
Phoenix, Arizona

In June 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. Through our partnership with local brokers, we were able to identify this value asset which is now providing 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 core and shell is nearing completion with substantial completion expected in early February. City MD will then begin its tenant improvements shortly thereafter. The balance of the space is available for lease.



Mission Village
Wenatchee, Washington

Mission Village is a 32,271 SF retail center in eastern Washington. The Fund purchased the property with vacancy and has been working with the local partners, the most prominent retail brokers in the area, to attract additional tenants. We have signed several new leases since acquisition and the occupancy is up to 68%. While the property is performing well at current occupancy levels, there is additional leasing interest and we hope to have the property fully stabilized later this year.



Alturas Homes
Boise, Idaho Metro

The Fund continues to make investments in residential real estate. As the Fund grows, this asset class will 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 is vigilant about any changes that may come and continues to focus on pre-sold homes in the most desirable communities in the area.



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. We are currently working with Union Pacific to add a railroad spur at the back of the property to allow the tenant (Patrick Industries, a publicly traded manufacturing company) to more efficiently produce and ship their products. This improvement should also incentivize the tenant to extend their current lease.



110 Main
Boise, Idaho

110 Main is a historic mansion located in downtown Boise that is being converted to a commercial building. The property is very well located, adjacent to the main campus of St. Luke's, the largest hospital system in Idaho. The renovations on the exterior and first floor are complete and the property is now being marketed to end users.



Dutch Bros Caldwell
Caldwell, Idaho

In April, the Fund started construction of 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. Construction was completed in September and the tenant has now been successfully operating for over three months.



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 St. Lukes has expressed interest in expanding into another building on that land. We are currently in the early planning stages of expansion.



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 98%. An entire floor was leased to Clickbank and Truckstop.com significantly expanded their footprint in the building. A new lease was also signed with CBC Advisors, a regional commercial real estate firm based in Salt Lake City. Those tenants are all now in occupancy and paying rent.



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, McDonalds 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 purchased for a discount from a very motivated seller and it continues to perform well.



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 the initial underwriting. Occupancy is now up to 93% from 50% at the time of acquisition. Leasing activity remains strong and two additional lease has been signed since the last quarter. The asset continues to move closer to full stabilization.



Deep Canyon
Star, Idaho

12000 Deep Canyon was a 8,069 SF single family residential home acquired by the Fund for \$605,000 through a foreclosure auction in late August. The Fund sold the asset to the real estate partner in the deal for \$605,000 in September, but agreed to a 30% interest bearing subordinated note payable to the Fund.



1124 Caldwell
Nampa, Idaho

1124 Caldwell was a 2,600 SF single-tenant retail property. The property was sold at the end of June. The property was acquired in October of 2015 at a 9.5% cap rate and the recent sales price equated to a 6.4% cap rate, resulting in approximately a 2.0 equity multiple which was realized in less than two years. This asset is another case study in how our value-add strategy can generate excellent risk adjusted returns.



Legends Townhomes
Raymore, Missouri

The Legends Townhomes sold to a very motivated buyer for \$2,020,000 in July of 2016. The Fund purchased the property for \$1,209,000, made an equity investment of approximately \$330,000, and made a profit of \$700,000 in just over six months. This was the first asset sold in the Fund and resulted in a great return for investors.

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