



ALTURAS
REAL ESTATE FUND
www.alturas.com

Quarterly Report | 2nd Quarter 2019

ALTURAS REAL ESTATE FUND

Key Numbers*

17.47%

Realized return - 2nd Quarter 2019

18.53%

Realized return - since inception

27.86%

Total return - 2nd Quarter 2019

28.22%

Total return - since inception

\$1.39M

2nd Quarter 2019 distributable net income

*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

Mt. McGown, Sawtooth Range, Idaho
photo by Brent Watkins

Inside Cover Photo:

Wheat Fields in the Palouse Region
Adobe Stock photo by Wisanu Boonrawd

Dear Investors,

The Fund has achieved several key milestones in the last quarter, including the four year anniversary of the Fund, three years of audited financial statements, and \$100 million in assets under management. We also added two assets to the portfolio and sold a small asset for an excellent return.

We are grateful for the partnerships with our investors, tenants and brokers that have allowed us to reach these key milestones. We could not have reached these milestones without these amazing partnerships.

The portfolio continues to perform well and generate strong residual returns, our focus remains on this residual cash flow generated from rental revenue. This cash flow is the foundation of the Fund and provides the predictable returns we are all seeking.

We are pleased with the current level of deal flow our network is producing and the recent drop in interest rates is allowing us to acquire assets with attractive debt coverage ratios and leveraged returns. We currently have several properties under contract totaling over \$20 million. Not all of these transactions will make it through due diligence but several do show promise. We continue to work diligently to establish the right partnerships in order to generate the deal flow that will allow us to grow in a sustainable way.

Investor demand remains high for note and equity positions. We are working with our investor partners to create a methodology for raising capital that is thoughtful and fair. Our current process to balance investor demand with supply is outlined on the following page. We are continuing to evaluate and refine this process and we will be in touch as the process evolves.

Thank you again for your continued support!

Sincerely,



Blake Hansen, Chief Investment Officer
Alturas Capital Partners, LLC



Travis Barney, Chief Credit Officer
Alturas Capital Partners, LLC

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10	Fund Performance Summary

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.

Financial information herein related to the quarters ended March 31, 2019 and June 30, 2019 are unaudited as of the date of this report.

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. It 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 in the Intermountain West and Inland 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

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: 1.5% Asset management fee

Minimum investment: \$250,000 (updated on 01/01/2019)

Investor eligibility: Accredited investors only

Targeted returns: 9-14%

Priority for Calling Capital

There is presently very high demand to invest in the Fund. As a result, our current process for raising new capital prioritizes our Notes and Notes-to-Equity programs. We are working with our investor partners to create a methodology that is thoughtful and fair. Our current process to balance investor demand with supply is illustrated below. This process continues to evolve and will be refined over time.

1 New Notes

A. Long-term (over 1 year)
B. Short-term (less than 1 year)

*Subject to availability as determined by the manager

3 Options Upon Note Expiration

- Rollover to another note
- Convert to equity investment
- Withdraw funds

2 New Equity

A. Existing long-term note holder
B. Existing short-term note holder
C. Existing equity investors
D. New equity investors

*Subject to manager's discretion

Correction to previously reported "Total return - since inception"

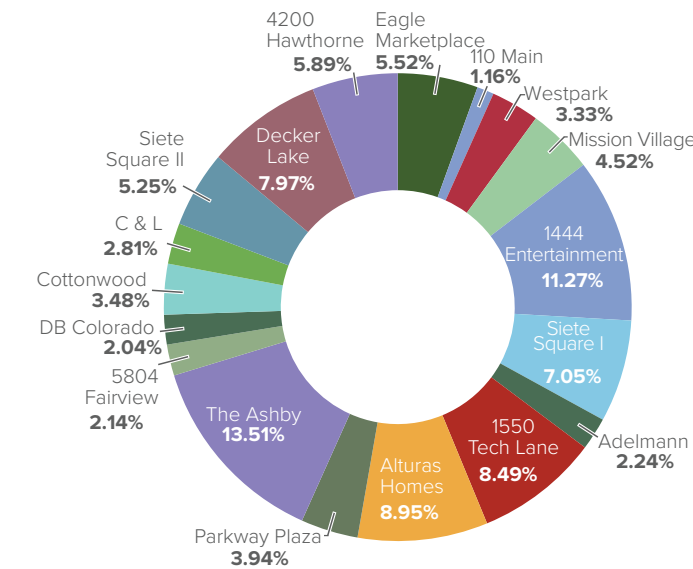
On page two of certain previous quarterly reports, we disclosed a "Total return - since inception" figure that was incorrect. As discussed further in the Tax Update portion of this quarterly report, the Fund generates certain tax deductions because of the nature of its operations, type of investments made, and structure of the business. To quantify those benefits in the Q2-2018 quarterly report, we calculated returns as if the tax benefits were additional income to the investors. For the following four quarters, we incorrectly left those benefits in the return calculation such that the "Total returns - since inception" disclosure in those reports were overstated. **This error did not impact realized returns, quarterly distributions, audited financial statements, or the unit price for these periods.**

We have adjusted page 2 of our Q2-2018 through Q1-2019 quarterly reports to reflect a "Total return - since inception" excluding the effect of those tax benefits. Below is a summary of the changes made to those reports:

Total Return - Since Inception

	As Reported	As Adjusted
Q2-18	31.75%	29.38%
Q3-18	31.42%	29.22%
Q4-18	30.72%	28.68%
Q1-19	30.15%	28.24%

Fund Investment by Property



Additional Fund Metrics

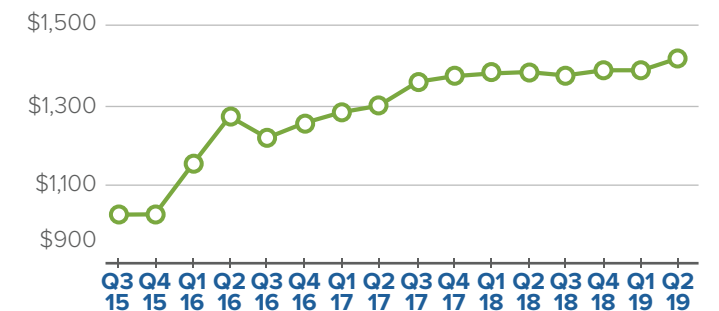
\$29.58M | Aggregate capital raised as of 06/30/19

\$108.30M | Assets under management (AUM)

903,565 SF | Total portfolio square footage

64.54% | Reinvestment rate as of 6/30/2019

Unit Price (Since Inception)



	2015	2016	2017	2018	2019
Q1	N/A	\$1,188.86	\$1,280.86	\$1,388.41	\$1,394.00
Q2	N/A	\$1,274.41	\$1,299.39	\$1,389.45	\$1,425.74
Q3	\$1,000.00	\$1,218.00	\$1,356.38	\$1,370.75	-
Q4	\$1,000.00	\$1,254.26	\$1,369.28	\$1,393.51	-

Realized Return by Month (Annualized)

	2015	2016	2017	2018	2019
Jan.	N/A	13.37%	9.45%	12.90%	37.34%
Feb.	N/A	17.84%	15.17%	16.30%	13.86%
Mar.	N/A	14.84%	17.33%	15.91%	13.23%
Apr.	N/A	13.08%	16.08%	17.47%	14.28%
May	13.64%	14.69%	11.39%	16.22%	13.20%
Jun.	13.64%	14.70%	29.02%	16.81%	25.08%
Jul.	13.62%	97.15%	13.89%	15.17%	-
Aug.	11.79%	13.49%	16.21%	69.40%	-
Sept.	23.57%	15.93%	14.53%	15.43%	-
Oct.	14.90%	14.34%	15.16%	13.30%	-
Nov.	15.15%	13.34%	13.90%	15.91%	-
Dec.	15.04%	16.32%	13.18%	12.72%	-
Annual	15.34%	21.69%	15.41%	19.86%	19.59%
Since Inception*	15.34%	19.33%	17.82%	18.39%	18.53%

*Average annualized return since inception as of respective year/period end

Alturas Capital Partners, LLC and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. Please consult with your tax, legal and accounting advisors.

Tax Update

Overview

2018 income tax returns for the Fund and all of its properties have been filed and K-1s were distributed in April to Fund investors.

The Fund is generally able to provide excellent after-tax returns to investors for a number of reasons. Income generation and/or asset appreciation of course produce the returns, but optimizing the tax character of those returns to maximize after-tax returns is also an important aspect of the Fund's management. Fortunately, there are a number of tax advantages available to Fund investors which helps to maximize after-tax returns.

The chart and table to the right summarizes before- and after-tax distributed net income and estimated tax rates for the past three years. Further information regarding the tax benefits of investing in the Fund are discussed below.

Structure of the Fund

The Fund is set up as a limited liability company. As such, income produced is not taxed at the Fund level, but instead passes through to investors to be taxed at the individual investor level.

Real Estate Tax Advantages

There are advantages available because the Fund invests in and operates real estate. These advantages include:

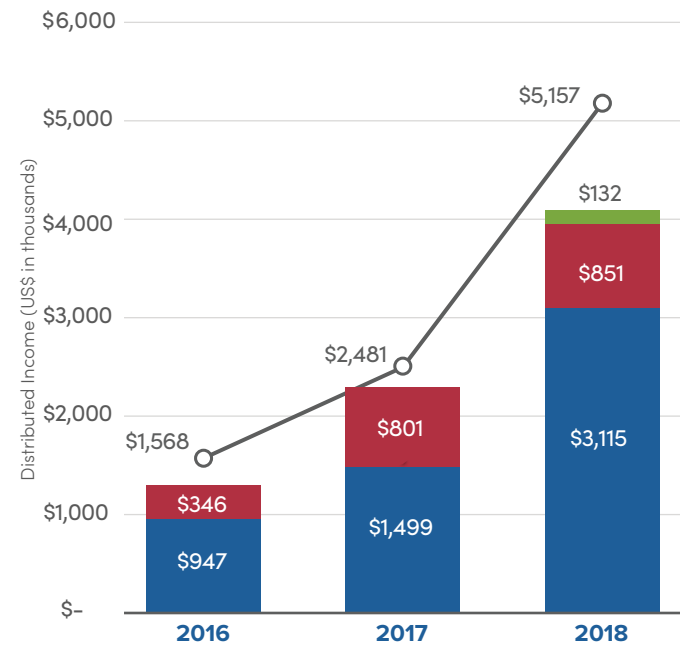
- **Depreciation:** As an owner and operator of real estate investments, the Fund is permitted to depreciate much of the cost basis of its eligible property for tax purposes. Typically, commercial property can be depreciated over 39 years. However, other components of properties can be depreciated over shorter periods of time, and additional bonus depreciation deductions are permitted in certain circumstances. The Fund takes advantage of depreciation whenever the benefits are likely to pass through to our investors.
- **Long-term Capital Gains:** From time-to-time, the Fund will sell assets. In general, the Fund looks to generate long-term capital gains income from the sale of these properties which is taxed at a lower tax rate than ordinary operating income.

Small Business Tax Deductions

The 2017 Tax Cuts and Jobs Act introduced a new deduction for owners of small businesses. The Fund qualifies as an eligible small business under the Act, therefore, Fund investors may be eligible for additional deductions up to 20% of the ordinary income (excluding interest income and capital gains) generated by the Fund. There are limitations to the availability of this deduction that may apply at the individual investor level. Based on 2018 results, taxable individual Fund investors should be able to take full advantage of the small business deduction unless they are limited by other factors arising from outside investments reported on their individual returns.

Alturas Capital Partners, LLC and its affiliates do not provide tax, legal, or accounting advice. This material has been prepared for informational purposes only and is not intended to provide, nor should it be relied on for tax, legal, or accounting advice. Please consult with your personal tax, legal, and accounting advisors to understand the actual tax implications of investing in the Fund.

Before- and After-Tax Distributed Net Income



Realized Before-Tax Distributed Net Income (GAAP Income)

- **Estimated Realized After-Tax Distributed Net Income without Real Estate Advantages:** Estimated total after-tax income if Fund investors did not enjoy any real estate tax advantages and paid taxes at an average blended tax of 39.6%.
- **Real Estate Tax Advantages:** Estimated incremental benefits from real estate tax advantages.
- **Small Business Tax Deduction:** Estimated incremental benefits from the small business deduction

Estimated Tax Rates

2016	2017	2018
17.56%	7.31%	20.55%

Note: Tax rates above are estimated and individual investor tax rates may vary.

Alturas Real Estate Fund 2019 Shareholder Meeting

Save The Date

September 20th, 2019 in Eagle, ID
Please RSVP by August 23rd at
<http://altur.as/rsvp>

A formal invitation via email will follow with complete details.

Special Room Rates for Investors at Hilton Garden Inn in Downtown Boise.



*Web link is case sensitive

348 S. 13th. Street
Boise, Idaho 83702
Tel: 1.208.342.7000

*Book online at
<https://altur.as/HiltonGardenInn>

Come to the shareholder meeting and enjoy the many activities that Boise has to offer.



Colorful Urban Traffic at Night, Boise, ID
Photo by Alden Skeie

Existing Portfolio

NEW ACQUISITION



4200 Hawthorne

Pocatello, Idaho | Acquired April 2019

This 78,225 SF, LEED Certified Silver office building was built in 2011. It is well-located off of I-86 and functions as a customer information center for Allstate Insurance.

NEW ACQUISITION



7733 Emerald

Boise, Idaho | Acquired April 2019

The property, built in 1988 and renovated in 2006, is fully occupied by a single tenant - Dermatology Clinic of Idaho - and is located at 7733 W. Emerald Street in Boise, near the Boise Towne Square Mall.



Shops at Decker Lake

Salt Lake City, Utah

- Acquired March 2019.
- Two new tenants (Core Health and Allstate Insurance) took occupancy this quarter and began paying rent.



Siete Square II

Phoenix, Arizona

- An existing tenant agreed to a 5-year renewal and 400 SF expansion within the building.
- Currently collecting bids to complete a landscaping project that will help make Siete I & II look more cohesive.



Eagle Island Development

Boise, Idaho

- Construction commenced in July; anticipated completion in mid-to-late fall.
- Completed a lease for the final vacant suite in the shopping center; project is now 100% leased.



Cottonwood Plaza

Boise, Idaho

- The property is currently providing an excellent return to the Fund with upside in the vacancy.
- Several prospective tenants have recently shown serious interest in the existing vacancy and iTrade space.



5804 Fairview

Boise, Idaho

- Single-tenant building occupied by a regional furniture store; tenant opened for business in September of 2019.
- Now approaching 1 year of ownership, we are exploring the property's potential sale.



Dutch Bros Colorado

Colorado Springs, Colorado

- Construction began in April of 2019 and is expected to be complete in early August.
- Dutch Bros recently executed an amendment to the lease increasing the rent due to some change orders they requested during construction.



The Ashby on Osborn

Phoenix, Arizona

- New lease signed with a law firm now occupying 2,700 SF; rent payments began in July.
- Arizona Urology Specialists began paying rent on their expansion space in July.



Parkway Plaza

Idaho Falls, Idaho

- Three new tenants were added to the shopping center this quarter increasing the overall occupancy to 86%.
- With those tenants now in occupancy and paying rent, an increase to the fair value was made for this property.



1550 Tech Lane

Boise, Idaho

- Consign Furniture will move their entrance and operations to the south side of the building beginning in August.
- Working with an existing tenant to expand into the ~11,000 SF of vacancy caused by the Consign reconfiguration.



Adelmann Building

Boise, Idaho

- RamaPong, a ping pong/ramen bar, opened in the basement; early indications are that business is good.
- Exploring options to potentially add LED ribbon lighting to the crown of the building.



Siete Square I

Phoenix, Arizona

- With Castle Biosciences now paying rent on an additional 2,970 SF, an increase to the fair value was made for this property.



1444 Entertainment

Boise, Idaho

- Improvements were made to the layout and configuration of the parking lot; further, a cross parking arrangement was negotiated with the hotel neighbor to help provide additional parking for the tenants.



Mission Village

Wenatchee, Washington

- An existing tenant (Tastebuds) extended lease for an additional 10 years and expanded by 400 SF.
- Finalized lease with Earthwise Pets who will fill 2,200 SF of currently vacant space.



Westpark

Boise, Idaho

- Exploring options to enclose the space between the two buildings and add a dust collection system in order to incentivize the tenant to renew.



110 Main

Boise, Idaho

- Finalized lease with StagedotO who will occupy the entire building on a 5-year lease beginning this fall.



Eagle Marketplace

Boise, Idaho

- 100% occupied; the property continues to provide an excellent return for the Fund.

NEW DISPOSITIONS



595 Washington

Twin Falls, Idaho | Sold June 2019

The Alturas Real Estate Fund sold one property this quarter - 595 Washington - an 11,195 SF industrial building located in Twin Falls, Idaho.

Single tenant industrial buildings are highly sought after properties in this market, allowing us to sell this asset for a healthy 4.15 equity multiple.

Fund Performance Summary

Sold Investments

Investment	Date of Acquisition	Date of Disposition	Property Type	MSA	Size	Status	Sold Price (\$'000)	Realized Gains/ (Losses) (\$'000)	Risk Profile
1. Legends Townhomes	Dec-15	Jul-16	Multi-family	Kansas City, MO	18 Units	Sold	2,020	765	Core Plus
2. 1124 Caldwell Blvd	Oct-15	Jun-17	Retail	Boise, ID	2,646	Sold	1,050	206	Value Add
3. 12000 Deep Canyon*	Sep-17	Sep-17	Single Family	Boise, ID	1 Unit	Sold	605	-	Residential Value Add
4. Treasure Valley Crossing	Sep-16	Aug-18	Retail	Boise, ID	21,000	Sold	5,650	1,440	Core Plus
5. 12005 Meridian	Apr-17	Nov-18	Retail	Seattle, WA	7,388	Sold	4,950	106	Build-to-Suit
6. Dutch Bros Caldwell	Apr-17	Jan-19	Retail	Boise, ID	874	Sold	2,300	751	Build-to-Suit
7. 595 Washington	Dec-16	Jun-19	Industrial	Twin Falls, ID	11,195	Sold	1,260	443	Tenant-in-Tow
Total					43,103 SF		\$ 17,835	\$3,268	

Current Investments

Investment	Date of Acquisition	Property Type	MSA	Size	Status	Occupancy	Cost Basis (\$'000)	Fair Market Value (\$'000)	Fund Investment (\$'000)	Risk Profile
1. Alturas Homes*	Jun-15	Single Family	Boise, ID	52 Units	In Progress	N/A	2,270	2,270	2,270	Residential New Construction
2. Eagle Marketplace	Sep-15	Retail	Boise, ID	60,024	Stabilized	100%	5,465	8,672	1,399	Value Add
3. 110 Main	Oct-15	Office	Boise, ID	6,230	Lease-up	0%	1,185	1,185	295	Value Add
4. Westpark	Feb-16	Industrial	Boise, ID	117,510	Stabilized	100%	6,439	6,700	844	Tenant-in-Tow
5. Mission Village	Sep-16	Retail	Wenatchee, WA	32,950	Lease-up	59%	4,651	4,374	1,146	Value Add
6. 1444 Entertainment	Dec-16	Office	Boise, ID	78,175	Stabilized	100%	13,040	13,580	2,859	Value Add
7. Siete Square I	Jun-17	Office	Phoenix, AZ	57,933	Stabilized	98%	8,735	9,000	1,787	Core Plus
8. Adelman Building	Jul-17	Retail	Boise, ID	15,419	Stabilized	100%	2,210	2,210	567	Core Plus
9. 1550 Tech Lane	Aug-17	Industrial	Boise, ID	105,000	Stabilized	91%	6,907	6,907	2,153	Value Add
10. Parkway Plaza	Feb-18	Retail	Idaho Falls, ID	75,300	Lease-up	86%	4,298	5,304	999	Value Add
11. The Ashby on Osborn	Mar-18	Office	Phoenix, AZ	89,167	Lease-up	68%	11,171	11,171	3,426	Value Add
12. 5804 Fairview	Aug-18	Retail	Boise, ID	22,500	Stabilized	100%	2,372	2,682	543	Tenant-in-Tow
13. Dutch Bros Colorado Springs	Aug-18	Retail	Colorado Springs, CO	824	Under Construction	100%	763	763	518	Tenant-in-Tow
14. Cottonwood Plaza	Sep-18	Office	Boise, ID	43,426	Lease-up	72%	4,475	4,475	883	Value Add
15. Eagle Island (Chinden & Linder)	Oct-18	Retail	Boise, ID	10,191	Under Construction	100%	837	837	714	Build-to-Suit
16. Siete Square II	Dec-18	Office	Phoenix, AZ	53,880	Lease-up	82%	5,787	5,787	1,332	Core Plus
17. Shops at Decker Lake	Mar-19	Retail	Salt Lake City, UT	52,387	Lease-up	73%	7,356	7,356	2,020	Value Add
18. 4200 Hawthorne (Allstate)	Apr-19	Office	Pocatello, ID	78,225	Stabilized	100%	11,619	11,619	1,493	Core Plus
19. 7733 Emerald	Apr-19	Office	Boise, ID	4,424	Stabilized	100%	556	556	110	Core Plus
Total				903,565 SF		88%	\$ 100,132	\$ 105,448	\$ 25,358	

Acquisition Pipeline

Investment	Est. Date of Acquisition	Property Type	MSA	Size	Status	Estimated Occupancy at Acquisition	Contracted Purchase Price (\$'000)	Estimated Fund Investment (\$'000)	Risk Profile
The Presidio	Jul-19	Office	Colorado Springs, CO	81,222	Under Contract	89%	12,500	3,575	Core Plus
2206 Whitley	Aug-19	Office	Boise, ID	16,000	Under Contract	100%	817	535	Tenant-in-Tow
Sandcreek Plaza	Aug-19	Retail	Idaho Falls, ID	35,903	Under Contract	100%	3,400	1,150	Value Add
IGCP	Nov-19	Industrial/Flex	Spokane, WA	74,000	Under Contract	91%	6,900	1,825	Value Add
Total				207,125 SF		92%	\$ 23,617	\$ 7,085	

*Subordinated notes.

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