



# Alturas Real Estate Fund

Quarterly Report | 4th Quarter 2016

**ALTURAS**  
REAL ESTATE FUND  
[www.alturas.com](http://www.alturas.com)





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Dear Investors,

As we reflect on the past year in the Alturas Real Estate Fund (“the Fund”), we are humbled by the success we have had together. Thank you for partnering with us to make it all happen. 2016 was the Fund’s first full year of operations, and at the end of the year, here are some of the milestones and accomplishments we are most proud of:

- Returns remain very strong at over **19%** realized and **34%** unrealized.
- Total Assets Under Management reached almost **\$38 million**;
- Total number of investments is **8**; at almost **400,000** square feet;
- We were recognized by our peers and investors as the Emerging Fund Managers of the Year;
- Total number of investors exceeds **40**, from **13** different states;

The fourth quarter was especially successful for the fund. We raised **\$2.835 million** during the quarter, and purchased nearly **\$12 million** of assets. We had strong leasing activity across the portfolio, and created value in several key assets.

The portfolio is becoming more diverse. Our most recent acquisitions include office and industrial property, to compliment the retail properties we had purchased in the 3rd quarter. The pipeline is strong and expanding. As we successfully purchase and reposition properties, we are proving out our strategy and bringing exposure to our organization, leading to additional deal flow and opportunity, even in additional markets.

We are grateful for your support of the Fund and look forward to a very successful 2017 together.

Sincerely,

Blake Hansen, Managing Partner  
Alturas Capital, LLC

## ALTURAS REAL ESTATE FUND

Blake Hansen, Managing Partner  
blakehansen@alturas.com  
(208) 921-5934

### Key Numbers\*

**14.68%**  
Realized return - 4th quarter

**19.33%**  
Realized return - since inception

**34.38%**  
Unrealized return - since inception

**\$37.7 M**  
Assets under management (AUM)

**\$10.4 M**  
Total capital raised

**\$15.2 M**  
Total fund equity

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

## Fundraising

### We are raising \$6 million for upcoming acquisitions

We have built a pipeline of quality properties to add to the Fund, and will be raising money during the first quarter for new acquisitions. These properties fit with our diversified model and will allow us to continue providing excellent returns to our investors.

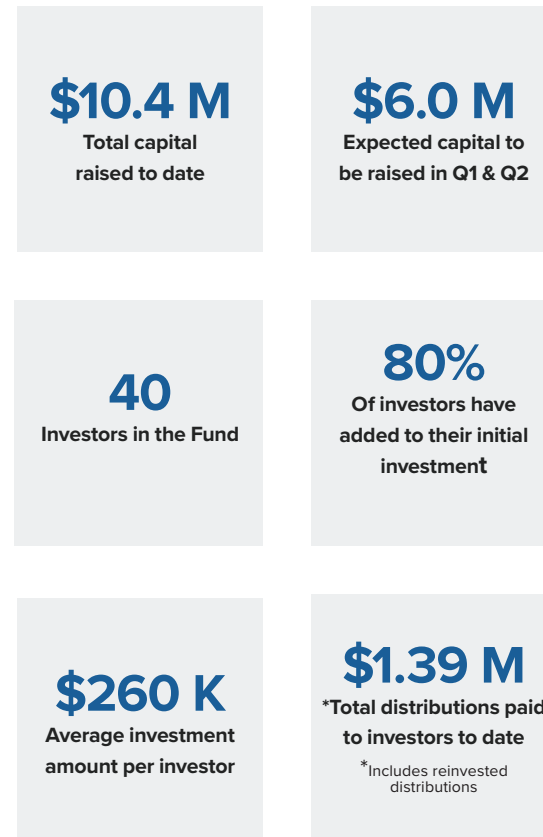
Consider these ways to help us fund these new acquisitions:

- Add to your existing investment
- Reinvest your quarterly dividend
- Invest through your self-directed IRA (Traditional or Roth)
- Invest in our 8% note program (see page 14)
- Refer your family and friends

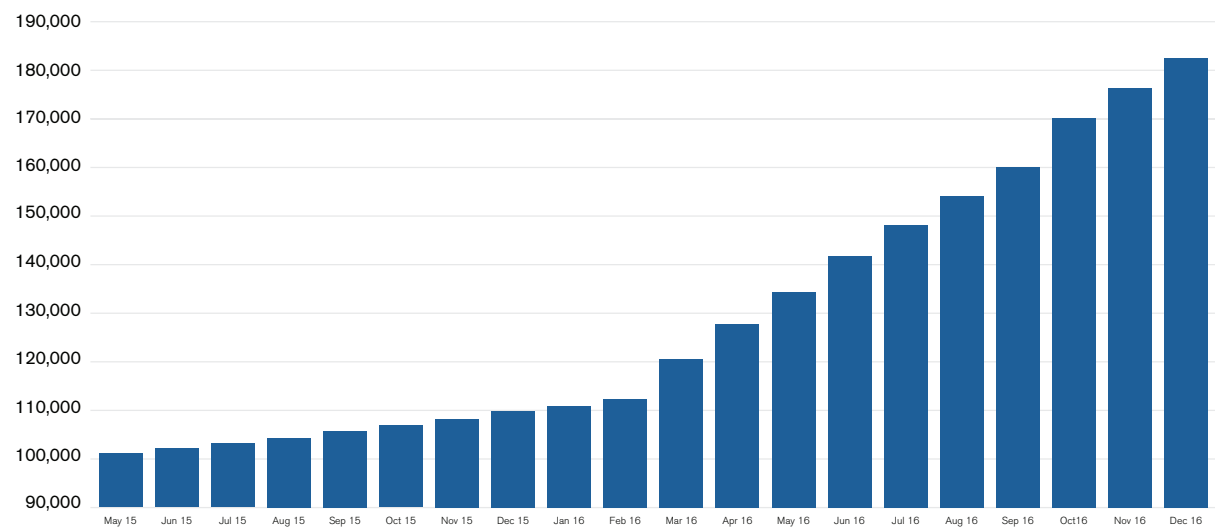
If you have considered this opportunity, but have not yet invested, now is a great time to make your first investment. We are constantly looking for a few more qualified investors who appreciate our approach and want to participate with us.

Contact Blake Hansen  
(208) 921-5934  
blakehansen@alturas.com

### Fundraising Metrics



### Growth of \$100,000 Since Inception of Fund



## Investment Overview

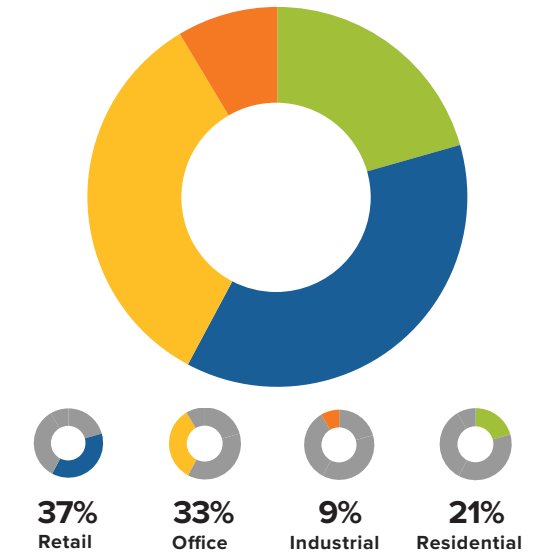
### Fund Description

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. The Fund is continually searching for new properties to add to the portfolio that meet a strict underwriting criteria, including margin of safety and cash flows.

### Investment Allocation Overview



### 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 transaction level fees
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Targeted returns:	9-14%

### Summary of Debt Offering

Return range:	6-8% interest rate, paid quarterly
Investment type:	Secured notes
Current debt offering cap:	\$1 million total
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Security:	Priority position before equity investors

### Realized Return by Month

Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Net Return Since Inception
2015	N/A	N/A	N/A	N/A	13.64%	13.64%	13.62%	11.79%	23.57%	14.90%	15.15%	15.04%	
2016	13.37%	17.84%	14.84%	13.08%	14.69%	14.70%	97.15%	13.49%	15.93%	14.34%	13.34%	16.32%	19.33%



## New Acquisition

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## 1444 Entertainment

Boise, Idaho

### Office

Property Type

We acquired this 83,000 square foot Class-A office property in Boise, Idaho in late December. It was built in 2006, and is well located next to the freeway, only a few miles from downtown. Due to its location next to the interstate, it has great visibility, and is easily accessible from anywhere in the Treasure Valley.

### 2006

Year Built

We purchased the property on a very good in-place cap rate (~7.5%) and the asset was 67% occupied at acquisition. Although the property was built over 10 years ago, it had been plagued by poor ownership, including a general lack of interest in leasing up the vacant space. We purchased the property for about \$135 per square foot, whereas the replacement cost of the building is at least \$225 per square foot.

### \$11 M

Acquisition Price

### 83,284

Square Feet

Since acquisition, we have signed new leases that bring the total occupancy to 88%. We leased an entire floor to Click Bank, a subsidiary of an established local technology company, Kount, that recently raised almost \$100 million in growth capital. Another technology company, Truckstop.com, leased another 6,063 square feet on the 1st floor, in addition to already occupying the entire 5th floor. We also signed a lease with CBC Advisors, a regional commercial real estate firm based out of Salt Lake City.

### 3.225 acres

Land Size

### 67%

Occupancy at Acquisition

We are working to make simple upgrades to the property, including a general update of the landscaping, removing some unattractive fencing along the perimeter, replacing existing tenant signage on the building, and providing new monument signage along the road. We are finalizing the tenant improvement plans, and expect that the tenants will occupy their new space once tenant improvements are completed in the coming months.

### Truckstop.com,

Click Bank,

CBC Advisors

Key Tenants

[View the full portfolio at www.alturas.com/portfolio-item/1444-entertainment](http://www.alturas.com/portfolio-item/1444-entertainment)

## New Acquisition

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## 595 Washington

Twin Falls, Idaho

### Office

Property Type

Similar to Westpark, a successful industrial property in the portfolio, 595 Washington is a tenant-in-tow project. We acquired a vacant 11,195 square foot industrial building and signed a 10-year lease with St. Luke's prior to acquisition. St. Luke's is the largest hospital system in the region and has grown rapidly in Twin Falls over the past 6 years. St. Luke's Magic Valley medical center opened in 2011 to serve the people of southern Idaho and northern Nevada with a wide range of inpatient and outpatient surgery, a 24-hour emergency department and advanced cancer center, inpatient rehabilitation, lab and imaging, inpatient and outpatient behavioral health services, and women's and children's healthcare. Most recently, the hospital added a new 20,500 square foot surgery center to its 40-acre campus. Although not a part of the formal campus, the hospital will use 595 Washington as a facility to store excess medical equipment, record-keeping and other miscellaneous items.

### 1995

Year Built

### \$0.675 M

Acquisition Price

### 11,195

Square Feet

Additionally, the parcel that was purchased has some excess land. The hospital intends to make this a long-term location and as such, we negotiated lease terms for a future building expansion that will enhance the value of the investment and create an opportunity to deploy additional capital in the future.

### 2.08 acres

Land Size

### St. Luke's

Regional

Medical Center

Key Tenants

While this is a smaller asset, it will generate excellent immediate risk adjusted returns to us (20+%) with the opportunity to increase the rental revenue and returns as the tenant needs more space.

From a big picture perspective, we believe that this was an excellent opportunity for us to develop a long-term relationship with a St. Luke's who is looking for reliable real estate partners in the region. This project is also further evidence of the excellent deal flow we have generated through our relationships with brokers in our markets leveraging their knowledge which is not available to the common investor.

[View the full portfolio at www.alturas.com/portfolio-item/595-washington](http://www.alturas.com/portfolio-item/595-washington)

## Existing Portfolio

### Eagle Marketplace

Eagle, Idaho



Eagle Marketplace is a 58,624 square foot retail center on a major intersection of two state highways in Boise, Idaho. We believe that this real estate will be relevant for decades to come, along this very important retail corridor in the area. Key tenants include Key Bank, State Farm, Little Gym and two local restaurants.

This project continues to outperform. We signed 3 new leases in the fourth quarter, totaling 9,300 square feet. This brings our total occupancy up to 84%, from 50% at the time of acquisition. We expect additional leasing activity through 2017, and hope to bring the asset to full stabilization.

### 110 Main

Boise, Idaho



110 Main is a historic mansion located in downtown Boise that we are converting to an office use. The property is very well located, adjacent to St. Luke's Regional Medical Center, the largest hospital system in Idaho.

The renovations on the exterior and first floor are completed, and the property is currently being staged for open houses and showings. We have met with several of our trusted brokers who do most of the leasing in the area. We are working to find the right long term tenant or owner-user to lease or buy the property from us.

### 1124 Caldwell Blvd

Nampa, Idaho



1124 Caldwell is a single tenant retail building in Nampa, Idaho, the 2nd-largest city in Idaho. It is located along the main retail corridor, nearby other retail establishments like Starbucks, Chipotle, Lowe's, Jimmy Johns, among others. We negotiated a buy-out of the previous tenant, in order to lease the building to The Griddle, a regional restaurant operator.

We have completed all renovations and tenant improvements, and the Griddle is now occupying the property and paying rent. We plan to test the market and list the property for sale at a price point that would make sense for us to sell. In the meantime, we are very happy with the great cash flows this investment generates.

### Westpark

Boise, Idaho



Westpark is a 117,510 square foot industrial and office property located in a transportation corridor in Boise, Idaho. The property consists of two buildings. It has great access to the interstate, in addition to being located next to a railway.

We bought the property from a motivated seller, and signed a long-term lease with a subsidiary of Patrick Industries, a publicly traded manufacturing company looking to expand to the area. The investment provides a very stable and consistent cash flow to the portfolio.

## Existing Portfolio

### Mission Village

Wenatchee, Washington



Mission Village is a 32,271 square foot retail center located in Wenatchee, Washington, along the main retail corridor of the area. Notable tenants include Jimmy Johns, H&R Block, and T-Mobile.

We purchased the property with significant vacancy, and have been working with our local experts, including the most prominent retail brokers in the area, to sign additional leases. Even with the vacancy, we are generating a good return from the existing income leases, and look to create even more value as we lease vacant space.

### Treasure Valley Crossing

Nampa, Idaho



Treasure Valley Crossing is a 21,000 square foot retail center, located in the main retail shopping destination of Nampa, Idaho. Nearby retailers include Costco, Target, Gordmans, McDonalds and Panera. St. Luke's Regional Medical Center has also constructed a Nampa campus only a few minutes away.

The building is 100% occupied, and we have long-term leases with the two tenants, Paul Mitchell School and Steven's Henager College. We were able to buy this assets for a discount from a regional REIT who had partnered with a local land owner to develop this shopping center, and had sold all of their assets in the area except this property.

### Alturas Homes

Boise, Idaho Metro



We continue to make investments in residential real estate, although our portfolio is more and more concentrated on commercial real estate holdings. Our residential investments have performed very well, generating 22.5% returns to the Fund.

Overall, we like the single family market at this point in the cycle, especially because of the lack of inventory in the market and undersupply of new homes. We remain vigilant about any changes that may come, and continue to focus on pre-sold homes in the most desirable communities in the area.

See the complete portfolio at: [www.alturas.com/portfolio](http://www.alturas.com/portfolio)



# Fund Performance Summary

## Alturas Real Estate Fund Investment Performance

As of December 31, 2016



### Fund Transactions

Investment	Date of Investment	Date of Liquidation	Property Type	MSA	Size	Status	Occupancy	Cost Basis	Fair Market Value/Sold Price	Fund Investment	Risk Profile
<b>Realized Investments</b>											
1. Legends Townhomes	Dec-15	Jul-16	Multi-family	Kansas City	18 Units	Sold	N/A	\$1,250,000	\$2,020,000	N/A	Core Plus
<b>Unrealized Investments</b>											
2. Eagle Marketplace	Sep-15		Retail	Boise	58,624 SF	In Progress	86%	\$5,091,046	\$5,972,928	\$1,217,142	Value Add
3. 110 Main	Oct-15		Office	Boise	6,230 SF	Under Renovation	0%	\$850,406	\$850,406	\$151,158	Reposition
4. 1124 Caldwell Blvd	Oct-15		Retail	Boise	2,646 SF	Fully Occupied	100%	\$585,764	\$641,197	\$227,166	Reposition
5. Westpark	Feb-16		Office	Boise	117,510 SF	Fully Occupied	100%	\$6,414,001	\$6,675,733	\$844,277	Tenant-in-Tow
6. Alturas Homes	Jun-15		Single Family	Boise	40 Properties	In Progress	N/A	\$2,038,896	\$2,038,896	\$2,038,896	Residential
7. Mission Village	Sep-16		Retail	Wenatchee	32,271 SF	In Progress	56%	\$4,299,201	\$4,299,201	\$1,146,000	Value Add
8. Treasure Valley Crossing	Sep-16		Retail	Boise	21,000 SF	Fully Occupied	100%	\$3,771,118	\$4,175,129	\$1,094,000	Core Plus
9. 1444 Entertainment	Dec-16		Office	Boise	83,284 SF	In Progress	88%	\$11,019,583	\$11,019,583	\$3,008,563	Value Add
10. 595 Washington	Dec-16		Office	Twin Falls	11,195 SF	Fully Occupied	100%	\$719,275	\$719,275	\$174,173	Tenant-in-Tow
<b>Total</b>					<b>332,760 SF</b>		<b>88%</b>	<b>\$34,789,290</b>	<b>\$36,392,348</b>	<b>\$9,901,375</b>	

### Transaction Pipeline

Investment	Est. Date of Investment	Property Type	MSA	Size	Status	Estimated Occupancy at Acquisition	Contracted Purchase Price	Estimated Fund Investment	Risk Profile
1. 12005 Meridian	Feb-17	Retail	Seattle	6,972 SF	Under Contract	79%	\$4,065,000	\$1,200,000	BTS Development
2. Centennial Shopping Center	Apr-17	Retail	Twin Falls	26,460 SF	Under Contract	92%	\$3,100,000	\$750,000	Value Add
3. Siete Square	May-17	Office	Phoenix	57,933 SF	Under Contract	96%	\$8,800,000	\$2,695,800	Core Plus
4. Thain Plaza	May-17	Retail	Lewiston	51,847 SF	Under Contract	56%	\$3,050,000	\$1,065,000	Tenant-in-Tow
<b>Total</b>				<b>143,143 SF</b>		<b>80%</b>	<b>\$19,015,000</b>	<b>\$5,710,800</b>	



### Manager Call – Wednesday, February 15, 2017 at 10:00 am MST

We will be holding our quarterly Manager Call with investors on Wednesday, February 15, 2017, at 10:00 am MST. Fund managers will discuss current investments and upcoming projects. In addition, the call will cover topics relating to the overall investment strategy of the Fund, market conditions, economic indicators and other relevant information about the Fund and real estate investing.

Join us here: <http://bit.ly/2jHHtel>

The call is open to all current investors in the Fund, new investors, and potential investors who may be interested in learning more. In addition, we are now offering Fund Informational Call with new and potential investors (see below).

### New / Prospective Investor Call – Wednesday, February 22, 2017 at 10:00 am MST

On Wednesday February 22, 2017 we will be holding our first Fund Informational Call, with new and potential investors who may want to learn more about the Alturas Real Estate Fund. This call will cover the overall structure of the Alturas Real Estate Fund, our approach, targeted returns, acquisition strategy, investment philosophy and more.

The call is open to all current investors and any potential investors who may be considering an investment in real estate or a real estate fund. We encourage you to invite a friend or family member to join the call to learn more about our offering.

Join us here: <http://bit.ly/2kb9b1N>

### Investing with an IRA

The Fund was created to allow investment through qualified retirement accounts. Many of our current investors use self-directed IRAs to invest in the Fund. This may be a great way of deploying idle cash you may have sitting in an IRA. Hundreds of reputable companies exist that can help you set up a self-directed IRA if you do not currently have one.

Please contact us with any questions.

### Raising Additional Capital in 2017

We are raising additional capital for upcoming investments. Our first acquisition of the year is scheduled for February, with properties under contract to purchase throughout the spring. We expect to add quality assets to the portfolio and achieving great returns for our investors, and continue to be selective about the assets we add to the Fund.

All investment dollars are treated on a first-in, first-out basis. We are constantly raising capital, with expectations to deploy capital each quarter on quality investments.

Please contact us about investing in the Fund.

### 8% Debt Investments in Fund

We are raising capital from investors through debt investment in the fund. These are notes to the Fund that bear an 8% interest rate, paid quarterly. These notes have priority position on fund assets before all equity investors.

If you are interested in placing new money in the fund, or want to invest additional amounts, this is a great way to achieve a very healthy return, with lower risk. Current equity investors can also convert all or a portion of their current investment to notes through this program.

### SBRE Summit - Fairmont Grand Del Mar April 27-30, 2017

The next SBRE Summit will be held April 27-30 at The Fairmont Grand Del Mar in San Diego, CA. We will be speaking along with other SBRE entrepreneurs from around the country. Matt Burk, founder and CEO of SBREfunds.com and Fairway America, will provide investor training and a keynote address. Matt is a highly regarded advisor, consultant and he is the nation's leading authority on SBRE pooled investment funds. Former Tonight Show host, Jay Leno, will be the special guest at the gala dinner and capstone event on Saturday night.

Additional information can be found here: <https://sbrefunds.com/event/sbre-investment-summit-april-2017/>

We hope to see you there.



#### Collateralization

Real estate is a tangible asset. When purchased at the right price, it has more stability than other competing investment opportunities.



#### Inflation Hedge

Real estate is proven to be an inflation hedge in comparison to other investments.



#### Appreciation

Real estate is a tangible asset which appreciates in value over the long term.



#### Tax Benefits

For tax purposes the government permits an investor to expense the cost of the purchase price as depreciation over the life of the asset.



#### Inefficient Market

Real estate is purchased and sold in a marketplace that is inefficient. This creates opportunities to buy at undervalued prices.



#### Local Expertise

Real estate is local. We choose to own real estate in areas that we know, in desirable places in the path of growth.

## About Alturas Capital

Alturas Capital, LLC (Alturas) is a leading real estate investment company based in Eagle, Idaho, with investments in commercial and residential real estate. Using a principled approach and conservative investment strategy, Alturas has experienced exceptional growth. Alturas manages a proprietary investment fund, the Alturas Real Estate Fund, LLC. This fund is focused on making real estate investments in the Intermountain and Pacific Northwest.

To learn more about Alturas Capital, visit [www.alturas.com](http://www.alturas.com).

To speak with Managing Partner Blake Hansen, contact him at (208) 921-5934 or email [blakehansen@alturas.com](mailto:blakehansen@alturas.com).

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