



Alturas Real Estate Fund

Quarterly Update | 4th Quarter 2015

ALTURAS
REAL ESTATE FUND
www.alturas.com

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What an amazing year we had in 2015. Thank you for your support and for investing with us. We know you have many places to put your investment dollars, and we appreciate that you chose to invest with us.

Since we launched the Fund last May, our risk adjusted returns have been exceptional. We have achieved **15.34% net returns** to our investors, during a time when the markets have been very weak. This figure does not include principal paydown, the tax benefits of depreciation, or appreciation. We are very pleased with the Fund performance to-date and expect continued success going forward.

We have raised a total of **\$3.58 million** in contributed capital, including almost **\$1 million** in the 4th quarter and have grown our assets under management to **\$7.88 million**. We have invested in a mix of commercial and residential properties, creating a diversified portfolio of cash generating assets. We continue to find investment opportunities that meet our criteria of safety of principal and reasonable expectations of returns.

We understand the fear that many people have today, because of the volatility in the stock market, in oil prices and in other markets around the globe. However, today, more than ever before, we believe in the successful strategy we have employed since 2009. We find opportunities in changing markets, especially when there is volatility. As value-add real estate buyers, we continue to find under-performing properties that require fix-up, repairs, or renovations, and bring value to our investors through our efforts.

We continue to be vigilant as we explore new opportunities, and stay away from any areas where froth may be developing. In general, real estate prices are reasonable - at or below long-term trend lines. We are optimistic about the near term opportunities that we are finding, and expect our deal flow to remain strong.

Again, we are grateful for the trust you have placed in us, and look forward to further success with you.

Sincerely,



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Key Numbers

15.34%
Net return - since inception

15.03%
Net return - 4th quarter

\$7.88 M
Assets under management (AUM)

\$3.58 M
Total capital raised

\$0.96 M
Capital raised this quarter

We are currently raising more money for new investments

We currently have limited opportunity to bring in additional capital into the Alturas Real Estate Fund. We believe that this is a unique opportunity to invest with us, to participate in the risk-adjusted returns we have achieved since we started the fund last May. We continue to see opportunity and will raise additional capital as deal flow warrants. We anticipate a need of approximately \$2 million in the upcoming quarter.

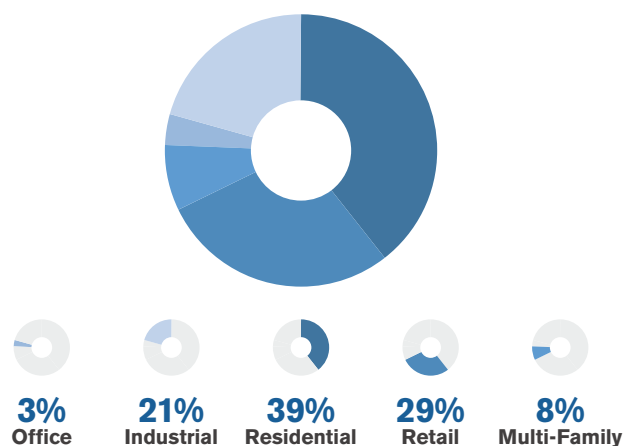
As always, our priority is to take care of our current investors. If you have any additional money that you would like to invest, please let us know and we will coordinate the paperwork for an additional investment. Also, the greatest compliment you can give us is to refer your qualified friends or family members to invest with us. Thank you to many of our current investors who have already referred their friends. We sincerely appreciate you!

Summary of Equity Offering

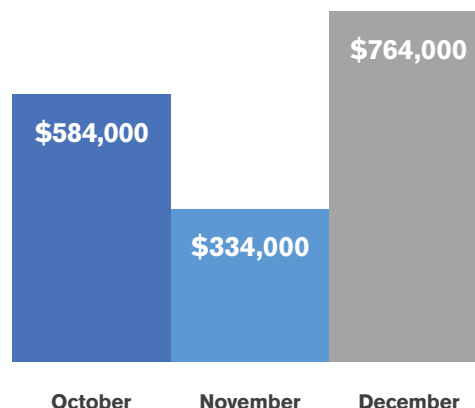
Preferred return:	8%, paid quarterly
Profit split:	70% to investors, 30% to manager after preferred return.
Fees:	Asset management fee 1.5%. No transaction level fees.
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Targeted returns:	9-14%

Capital Deployment

Capital Deployed and Committed by Property Type



Capital Deployed by Month



Net Annualized Returns to Investors

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%	15.34%

Current Investments - Update



Eagle Marketplace

Eagle, Idaho

We are very happy with the performance of this asset since we purchased it in September. We renewed multiple tenants to longer term leases, including Key Bank and State Farm. We have two new tenants who we expect to move in during the first quarter of 2016, and we have interest from additional tenants who want to lease space in the complex. Most surprising is the fact that we have not even started the major improvements we have planned for the property.

We are working to obtain the necessary approvals from the city to perform significant improvements to the property. Our plan is to put two new pylon signs, 25-feet high, with two electronic message centers on each sign. We are also adding new monument signage for Key Bank, and the neighboring property, leased by Walgreens, is also adding new monument signage. In addition, we are working with the tenants to put new tenant signs around the property. We will also be renovating much of the overgrown and excessive landscaping around the property, to bring it in line with other retail properties in the area. These improvements will require additional capital investment, but will help us add new tenants and bring the value of the property up significantly.

Retail

Property Type

60,000

Square Feet

1998

Year Built

**Key Bank and
State Farm**

Key Tenants

\$4.1 M

Acquisition Price

50%

Occupancy

Sep 2015

Acquisition Date

\$5.9 M

Appraised Value



Alturas Homes

Boise, Meridian, and Eagle, Idaho

We continue to make investments in new single family homes, through our partner, Alturas Homes. Alturas Homes is a top-10 homebuilder in the Boise Metro Area, building in six communities throughout the area. The company emphasizes presold homes, collecting non-refundable deposits before construction begins.

We have deployed nearly \$1.6 million at year end, generating a 22.5% return to the fund. We are monitoring the market carefully and expect to see additional opportunities for growth in the coming months and years as home ownership rates move back toward historical averages.

Alturas Homes builds in 6 premier communities in the Boise area. For additional information visit www.alturashomes.com.

- **Quality, middle market new single family homes Boise, Idaho Metro Area**
- **No raw land development**
- **\$22 million of revenue in 2016**
- **Emphasis on presold homes**
- **Focus on top-tier communities**

New Investments



110 Main Street

Boise, Idaho

In October, we acquired a historic mansion in downtown Boise through a note purchase and a simultaneous deed in lieu of foreclosure. The property was originally built in 1905 for Timothy Regan, a successful hotel and mine owner in the area. The house is located only one block away from the largest regional medical center in the area, and minutes from the heart of downtown. It has been used for residential purposes since its construction, but the neighborhood has transformed. The neighborhood is now mostly comprised of office and medical office users, as many properties have been converted to commercial use.

Office

Property Type

\$0.640 M

Appraised Value

1905

Year Built

\$1.1 M

Estimated Value at Lease-up

\$0.516 M

Acquisition Price

6,225

Square Feet

Oct 2015

Acquisition Date

We are currently performing renovations to the property, and expect these repairs to be completed in the next few months. We are working to secure a tenant for the building, and expect that the value of the property will go up significantly once these renovations are completed and the property is leased.

To see more about this property online, please visit:

<http://boisearchitecture.org/structuredetail.php?id=1436>



1124 Caldwell Blvd

Nampa, Idaho

In October, we purchased a single tenant restaurant building, currently leased by a Skippers franchisee. The building is located along the main retail corridor of Nampa, Idaho, with other retailers such as Walgreens, Starbucks, Taco Bell, IHOP, Applebee's, Lowe's, Texas Roadhouse, Jimmy Johns, Red Robin and Home Depot in the immediate vicinity.

The current tenant is paying a below market lease rate. The lease renews in two years at the market rate. Since we purchased the property, we have had multiple parties interested in leasing the space from us, contingent upon us working out an arrangement with Skippers to vacate the property. We have been negotiating with the franchisee, and hope to put in a new tenant who can pay market rates in the next few months.

The property generates a very healthy cash on cash return, even with the existing tenant at the below-market lease rate and we expect it to produce even better returns once the new tenant is in place.

Retail

Property Type

Oct 2015

Acquisition Date

1976

Year Built

2,686

Square Feet

2013

Year Renovated

0.63 acres

Land Size

\$0.395 M

Acquisition Price

100%

Occupancy



The Legends Townhomes

Raymore, Missouri

In December, we purchased this 18-unit multifamily property in the Kansas City, Missouri metro area. The seller originally approached us to provide a \$1 million hard money loan, however, we were able to negotiate terms that allowed for the borrower to sell the asset to the fund instead, at a significant discount.

The property is currently 100% occupied and has been consistently leased for the last seven years with limited turnover and very high occupancy levels. The same property management company has been working on the property since construction, bringing extensive knowledge and local expertise. The units are mostly three bed, two bath units, with full basements, and garages. These are highly desirable units, located in an attractive part of the metro area.

This investment is producing very high cash on cash returns for the fund. We expect total returns to be very attractive.

Multi-family

Property Type

3

Number of Buildings

\$1.70 M

Appraised Value

100%

Occupancy

\$1.25 M

Purchase Price

2007

Year Built

18

Number of Units

Properties Under Contract to Purchase



Westpark

Boise, Idaho

One of our close brokerage contacts recently reached out to us and let us know that a large publicly traded manufacturer was coming to the Boise market. They indicated that the tenant preferred one vacant industrial property in particular. We were able to put the vacant property under contract and simultaneously negotiate a lease with the manufacturer, creating significant value in the process.

We expect the fund will achieve excellent cash on cash returns. The tenant is very strong with nearly \$1 billion in annual sales. We were able to obtain very favorable long-term debt.

The property is well located real estate located in a vibrant commercial corridor with excellent freeway access.

Industrial

Property Type

Feb 2016

Projected Acquisition Date

**1978, 1979,
& 2001**

Year Built

\$7.195 M

Appraised Value

\$6.265 M

Acquisition Price

117,510

Square Feet

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 Boise and the Intermountain West.

To learn more about Alturas Capital, visit www.alturas.com.

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

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