



Alturas Real Estate Fund

Quarterly Update | 1st Quarter 2016

ALTURAS
REAL ESTATE FUND
www.alturas.com

Alturas Real Estate Fund

Quarterly Update | 1st Quarter 2016

We had another great quarter in the Alturas Real Estate Fund (the 'Fund'). Thank you to all of our investors who have supported our efforts. What an amazing vote of confidence from so many of you who have continued to invest additional capital and who have referred others to invest with us.

When we launched the Fund last May, we set expectations of 9-14% total returns. Based on our track record since 2009, we knew that this was an achievable target. Fortunately, we have surpassed our initial goals, and have realized **15.32% net returns** for our investors.

The realized return figure does not tell the whole story. Total returns are even better when you consider the additional value that we have created in many of our projects, and the tax benefits of owning real estate directly through the Fund. To date, the total returns, including value creation through leasing, renovations and appreciation are **37.84%** since inception. This is due to a mark-up in value associated with the Eagle Marketplace property. We have leased approximately 11,000 square feet and have performed significant capital improvements which are quickly turning the property around. We expect strong realized and unrealized returns as we continue to create value in each of the assets in the portfolio. We believe that the Fund offers some of the best risk-adjusted returns available to investors today.

We continue to raise sufficient capital for our new and existing projects, and have raised a total of **\$5.20 million**, including almost **\$2.20 million** this quarter. Total assets under management in the Fund now exceed **\$15.50 million**. Looking forward, we have three properties currently under contract to purchase, with other projects in our pipeline. Also, our new home construction investments remain very strong, with very high sales velocity and low inventory levels. We expect to invest additional funds in this asset class in the coming months as well. We remain very optimistic.

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

Sincerely,



Blake Hansen, Chief Investment Officer
Alturas Real Estate Fund, LLC
(208) 921-5934
blakehansen@alturas.com

ALTURAS REAL ESTATE FUND

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

Key Numbers

15.32%

Realized return - since inception

15.29%

Realized return - 1st quarter 2016

37.84%

Unrealized return since inception

\$15.50 M

Assets under management (AUM)

\$5.20 M

Total capital raised

\$2.20 M

Capital raised this quarter

We are raising additional capital

We are now doing a limited capital raise and can accept this money immediately into the subscription account. This is a unique opportunity to invest with us and participate in the risk-adjusted returns we continue to achieve for our investors.

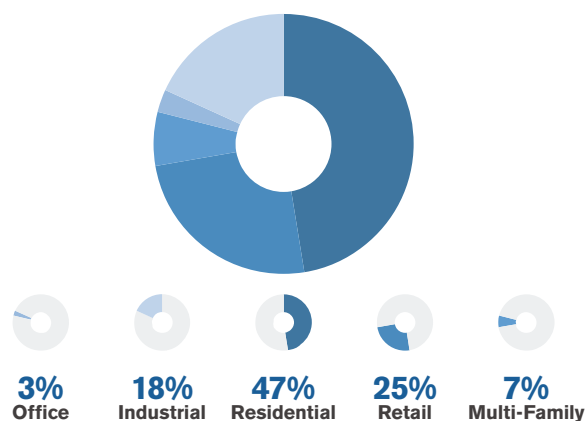
As always, our priority is to take care of our current investors. If you have any additional money that you would like to invest with us, please let us know. Also, the greatest compliment you can give is to refer your qualified friends or family members to invest with us. Thank you to many of our current investors who have already referred people our way.

Summary of Equity Offering

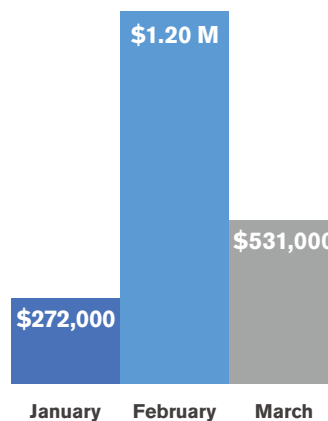
Preferred return:	8%, paid quarterly
Profit split:	70% to investors, 30% to manager after preferred return.
Fees:	Asset management fee: 1.5%. No transaction level fees.
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Targeted returns:	9-14%

Investment Allocation Overview

Capital Deployed by Asset Class



Capital Deployed by Month



Monthly Annualized Return

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%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15.32%

Current Investments



Retail

Property Type

1998

Year Built

\$4.10 M

Acquisition Price

\$5.40 M

Current Value

Sep 2015

Acquisition Date

60,000

Square Feet

**Key Bank and
State Farm**

Key Tenants

Eagle Marketplace

Eagle, Idaho

This project continues to perform extremely well for the Fund. In addition to the lease renewals we signed last quarter, we signed three new leases in the 1st quarter, for over **11,000** square feet of space. When we purchased the property, we had nearly **30,000** square feet of vacancy, and we will now be just over **18,000** square feet once these new tenants move in during the 2nd quarter.

We also received final approvals from the City of Eagle to perform the landscaping improvements and to add new signage. These improvements will be completed in May, and will add significant visibility to the complex. Based on these improvements, we have raised the asking lease rates by a dollar per square foot across the board, and expect more leasing activity. The new leases add significant value to the property. Due to this increased income, our lender has agreed to lend us up to **\$1.15 million** more on the property at **4%**. This is long-term, low interest debt, at a **1.7** debt service coverage ratio (DSCR).



Alturas Homes

Boise, Idaho Metro

The Fund continues to make investments in new single family homes, through our partner, Alturas Homes. At the end of the 1st quarter, the fund had deployed over **\$2 million** in single family homes, generating a **22.5%** return to the fund. Alturas Homes is a top-10 homebuilder in the Boise Metro Area, building in six communities throughout the area. The company emphasizes presold homes, with over **two-thirds** of the homes expected to close by October 31st this year being presold homes.

The Boise market continues to perform well while not becoming overheated. Inventories are very low, demand is high from qualified buyers, and job growth continues to surge in the area. Recently, the federal Bureau of Labor Statistics ranked Idaho as No. 1 in the nation for job growth in the past year. While we continue to diligently monitor this market we expect to see continued growth.

- **Quality, middle market new single family homes in the Boise, Idaho Metro Area**
- **\$26 million of revenue expected in 2016**
- **Emphasis on presold homes**
- **Focus on top-tier communities**



110 Main

Boise, Idaho

We continue to be very optimistic about this residential to office conversion. Renovations are ongoing. We are making necessary improvements to the property, including exterior repairs that were difficult to accomplish during the winter. We have replaced the roof and many of the historic broken windows, and will be performing more extensive exterior renovations in the coming weeks. Interest in the asset has been steady from various medical and professional users, including a nearby medical group who is looking to expand.

Residential to Office Conversion

Property Type

1905

Year Built

\$0.516 M

Acquisition Price

Oct 2015

Acquisition Date

\$0.640 M

Appraised Value

6,225

Square Feet



Nampa Retail

Nampa, Idaho

When we purchased this property, we had a vision that it would be much more than an old Skippers restaurant. We have executed on this vision. During this quarter, we signed a lease with a regional café operator, The Griddle, for their 5th location in the area. To accommodate this new lease, we successfully negotiated a buy out of the previous lease, and have started the tenant improvements for the new tenant to occupy the building in the 2nd quarter.

While this asset is not currently providing a return, we expect renovations to be completed in the next few months, at which time we will begin collecting higher rent from the new tenant. The new 10-year lease is for \$23/foot, versus \$15.75/foot with the previous tenant, which creates significant additional value.

Retail

Property Type

1976

Year Built

\$0.395 M

Acquisition Price

Oct 2015

Acquisition Date

2,686

Square Feet

0.63 acres

Land Size

46%

Increase in Rent

10 Years

Lease Term



The Legends Townhomes

Raymore, Missouri

This property continues to perform very well for the Fund. The asset has consistently maintained high occupancy levels and net operating income and provides an excellent return.

We have listed the property for sale, to see what type of interest we have from potential buyers, and have received multiple offers in the **\$1.7-1.8 million** range. We will continue to evaluate these offers and sell at the appropriate price and time.

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

New Investments



Westpark

Boise, Idaho

We acquired a 117,500 vacant property and negotiated the arrival of Décor Manufacturing by Patrick Industries, which expects to bring 85 new jobs to this facility. In 2015, two major players in the RV manufacturing industry announced new operations in the area in order to expand their reach to growing West Coast markets. Heartland Recreational Vehicles will open in Nampa, expected to employ 120 workers. Omega RVs in Caldwell will bring in 150 manufacturing jobs.

Décor makes laminated panels and wrapped moldings for recreational vehicles. In 2012, Patrick Industries acquired the Oregon-based manufacturing operation in order to establish a significant presence in the Northwest, the second largest RV producing sector outside of the Midwest.

We purchased the property for well below replacement cost and turned it immediately into a strong cash flow producing asset for the fund. This large and growing company strategically chose Boise and this particular property for a long-term manufacturing facility. We were very fortunate to have the relationship with local brokers who brought this deal to us, because of our ability to close and our reputation of taking care of our tenants. We have already received additional deal flow from other commercial real estate brokers in the area because of this transaction

Industrial

Property Type

Feb 2016

Acquisition Date

**1978, 1979,
& 2001**

Year Built

\$7.195 M

Appraised Value

\$6.265 M

Acquisition Price

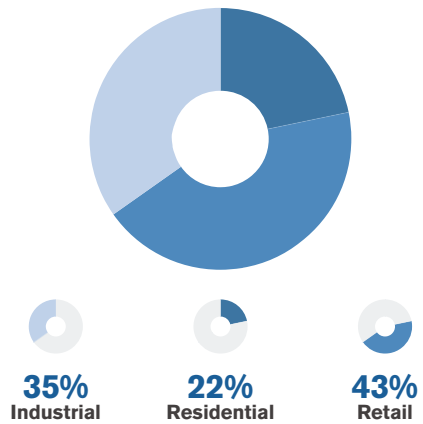
117,510

Square Feet

Pipeline of Projects

The fund currently has over \$14 million of quality value add commercial real estate projects under contract for purchase over the next several months. There are many other potential properties that we are evaluating, underwriting and negotiating with property owners, that will bring additional properties into the Fund. In addition, we expect to deploy additional funds into residential projects in the coming 60 days as the demand for new homes continues to increase in our markets.

Capital Committed by Asset Class



Follow Us Online

 facebook.com/alturascapital

 linkedin.com/company/alturas-capital

 twitter.com/alturascapital

Latest News

Alturas Real Estate Fund approved on Depository Trust and Clearing Corporation's (DTCC) Alternative Investment Platform (AIP)

The Fund can now be priced and held on customer and advisor statements in a manner similar to traditional products such as ETFs, mutual funds, equities, etc., through most major custodial platforms such as Charles Schwab, Fidelity, TD Ameritrade and others.

We are happy to announce that the Fund has been approved to participate in the Depository Trust and Clearing Corporation's (DTCC) Alternative Investment Platform (AIP), giving us access and reporting options previously available to only traditional investments. This is made possible by our third-party fund administrator who is an approved service bureau under the platform.

AIP standardizes the way the alternative investment industry communicates information about the valuation of alternative investments, such as the Alturas Real Estate Fund. By addressing the manual, operational issues that have challenged Registered Investment Advisors (RIAs) and their customers in the past, AIP has

effectively improved access to these RIAs and their clients. Now the Fund is an approved and standardized product on custodial platforms preferred by RIAs, allowing customer and advisor statements to show an investment in the Fund similar to traditional products such as ETFs, mutual funds, equities, and other more traditional investments.



If you utilize a Registered Investment Advisor to manage your money, and would like to learn more about having the Alturas Real Estate Fund show up on your statements, please let us know so we can schedule a call to discuss this option with you.

Alturas invited to present at Fairway America's SBRE Investment Summit on May 17-18 at the Montage Laguna Beach in California

Alturas is one of 16 fund managers from across the United States to present at this industry leading event that brings passive investors and seasoned fund managers together to share the latest secrets to successful investing in small balance real estate (SBRE).

For the second year in a row, Blake Hansen, the Chief Investment Officer of the Alturas Real Estate Fund, has been invited by Fairway America to present at the SBRE Investment Summit. Previous summits have been held in Seattle, Scottsdale and Dallas, showcasing the opportunities to invest with successful and experienced fund managers in the SBRE arena.

The Alturas Real Estate Fund was received very favorably by investors in the 2015 summits, primarily because of Alturas'

conservative approach, diversified strategy, and historical track record of successfully investing in all parts of market cycles.

We look forward to seeing many of our current investors at the Summit and invite others to attend future Fairway America SBRE events. Investor feedback has been very positive, because of the real estate education, and access to quality investments like the Alturas Real Estate Fund.



Benefits of Real Estate



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.

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

Alturas Capital and its related entities, are not a registered broker-dealer or investment advisor. None of the Alturas companies perform any activities of a broker or investment adviser, including but not limited to, soliciting investors, providing investment advice, negotiating securities transactions or the terms, conditions or provisions of any offering or recommending the purchase of securities. This document does not constitute an offer or solicitation to sell securities in any of the companies mentioned or any related or associated companies. This document does not constitute an offer or solicitation to sell securities. Investors must not rely on information provided in this document for investment decisions.