



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

Quarterly Report | 2nd Quarter 2017

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# LETTER FROM THE MANAGER

Dear Investors,

We want to thank each of you for investing in the Alturas Real Estate Fund. May 29, 2017 marked the two-year anniversary of the Fund. In many ways, we have exceeded our own expectations.

Two years later, we are on track to hit the **\$20 million** mark of capital raised in the coming weeks and have generated consistently strong returns for our investors, even beyond our targeted 9-14%.

Net returns to investors were strong in the second quarter, exceeding the first quarter results, with average realized returns for the quarter at **18.75%** and average total returns at **29.18%**. Since the inception of the Fund, average net realized returns for investors sit at **18.62%** and average total returns are **32.49%**.

We acquired three new assets during the quarter, including our first asset in Phoenix, Arizona, an asset in a submarket of Seattle, Washington and an asset in a Boise, Idaho submarket. We are continuing to build upon our strategy of diversifying across asset class, geography and investment horizon. By the end of the third quarter, we expect the portfolio to hit the 500,000 square foot mark, with a diverse mix of tenants and income streams.

We have multiple assets under contract to purchase, and expect the quality deal flow to continue as we build momentum and continue building relationships in new markets.

Thank you for partnering with us! We look forward to many more years of successfully investing together.

Sincerely,



Blake Hansen, Chief Investment Officer  
Alturas Management Group, LLC

**ALTURAS**  
REAL ESTATE FUND

**Blake Hansen**  
Chief Investment Officer  
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## Key Numbers\*

**18.75%**

Realized return - 2nd quarter

**18.62%**

Realized return - since inception

**32.49%**

Total return - since inception

**\$62.22 M**

Assets under management (AUM)

**\$16.1 M**

Total capital raised

**\$22.62 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 capital for upcoming acquisitions

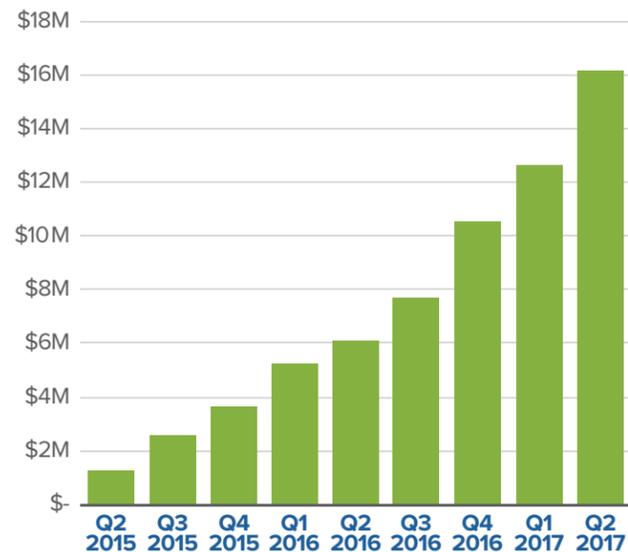
We have built a pipeline of quality properties to add to the Fund and will be raising money during the next few quarters for new acquisitions. These properties fit within our diversified model and will allow us to continue providing excellent returns to our investors.

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
- 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 partner with us.

## Total Capital Raised to Date (by Quarter)



## Fundraising Metrics



## 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% |               |
| August                            | 11.79% | 13.49% |               |
| September                         | 23.57% | 15.93% |               |
| October                           | 14.90% | 14.34% |               |
| November                          | 15.15% | 13.34% |               |
| December                          | 15.04% | 16.32% |               |
| <b>Net Return Since Inception</b> |        |        | <b>18.62%</b> |

# 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 meet a strict underwriting criteria including margin of safety and cash flows.

## Investment Allocation Overview

\*Includes pending investments



## Summary of Equity Offering

|                              |  |
|------------------------------|--|
| <b>Preferred return:</b>     | 8% paid quarterly  |
| <b>Profit split:</b>         | 70% to investors, 30% to manager after preferred return        |
| <b>Fees:</b>                 | Asset management fee: 1.5%, no acquisition or disposition fees |
| <b>Minimum investment:</b>   | \$100,000  |
| <b>Investor eligibility:</b> | Accredited investors only                                      |
| <b>Targeted returns:</b>     | 9-14%  |

## Summary of Debt Offering

|                              |   |
|------------------------------|---|
| <b>Return range:</b>         | 6-8% interest rate, paid quarterly        |
| <b>Investment type:</b>      | Secured notes                             |
| <b>Debt offering cap:</b>    | \$1 million (Current)                     |
| <b>Minimum investment:</b>   | \$100,000                                 |
| <b>Investor eligibility:</b> | Accredited investors only                 |
| <b>Security:</b>             | Priority position before equity investors |

# FUND PERFORMANCE SUMMARY

As of June 30, 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             | Reposition   |

## Current Investments

|                             |        |  |               |                |                   |                    |            |                     |                     |                     |               |
|-----------------------------|--------|--|---------------|----------------|-------------------|--------------------|------------|---------------------|---------------------|---------------------|---------------|
| 1. Eagle Marketplace        | Sep-15 |  | Retail        | Boise, ID      | 58,624            | Lease-up           | 86%        | \$5,090,596         | \$5,719,950         | \$1,258,644         | Value Add     |
| 2. 110 Main                 | Oct-15 |  | Office        | Boise, ID      | 6,230             | Lease-up           | 0%         | \$981,389           | \$981,389           | \$150,524           | Reposition    |
| 3. Westpark                 | Feb-16 |  | Industrial    | Boise, ID      | 117,510           | Fully Occupied     | 100%       | \$6,414,001         | \$6,675,733         | \$844,277           | Tenant-in-Tow |
| 4. Alturas Homes            | Jun-15 |  | Single Family | Boise, ID      | 43 Properties     | In Progress        | N/A        | \$2,100,619         | \$2,100,619         | \$2,100,619         | Residential   |
| 5. Mission Village          | Sep-16 |  | Retail        | Wenatchee, WA  | 32,271            | Lease-up           | 56%        | \$4,343,577         | \$4,343,577         | \$1,146,000         | Value Add     |
| 6. Treasure Valley Crossing | Sep-16 |  | Retail        | Boise, ID      | 21,000            | Fully Occupied     | 100%       | \$3,771,119         | \$4,175,129         | \$1,094,000         | Core Plus     |
| 7. 1444 Entertainment       | Dec-16 |  | Office        | Boise, ID      | 78,175            | Lease-up           | 80%        | \$12,174,970        | \$12,174,970        | \$2,858,563         | Value Add     |
| 8. 595 Washington           | Dec-16 |  | Industrial    | Twin Falls, ID | 11,195            | Fully Occupied     | 100%       | \$723,579           | \$795,454           | \$154,174           | Tenant-in-Tow |
| 9. Dutch Bros Caldwell      | Apr-17 |  | Retail        | Boise, ID      | 874               | Under Construction | 100%       | \$697,564           | \$697,564           | \$344,376           | Build-to-Suit |
| 10. 12005 Meridian          | Apr-17 |  | Retail        | Seattle, WA    | 7,274             | Under Construction | 100%       | \$1,943,861         | \$1,943,861         | \$1,204,260         | Build-to-Suit |
| 11. Siete Square            | Jun-17 |  | Office        | Phoenix, AZ    | 57,933            | Stabilized         | 96%        | \$8,202,370         | \$8,202,370         | \$1,755,814         | Core Plus     |
| <b>Total</b>                |        |  |               |                | <b>391,086 SF</b> |                    | <b>88%</b> | <b>\$46,443,644</b> | <b>\$47,810,616</b> | <b>\$12,911,250</b> |               |

## Acquisition Pipeline

| Investment           | Est. Date of Investment | Property Type | MSA            | Size              | Status         | Estimated Occupancy at Acquisition | Contracted Purchase Price | Estimated Fund Investment | Risk Profile  |
|----------------------|-------------------------|---------------|----------------|-------------------|----------------|------------------------------------|---------------------------|---------------------------|---------------|
| 1. Adelman Building  | Jul-17                  | Retail        | Boise, ID      | 14,704            | Under Contract | 100%                               | \$2,150,000               | \$562,400                 | Core Plus     |
| 2. 1550 Tech Lane    | Aug-17                  | Industrial    | Boise, ID      | 105,000           | Under Contract | 100%                               | \$6,000,000               | \$2,189,000               | Value Add     |
| 3. Centennial Square | Sep-17                  | Retail        | Twin Falls, ID | 26,305            | Under Contract | 92%                                | \$3,000,000               | \$978,125                 | Value Add     |
| 4. 2509 Broadway     | Oct-17                  | Retail        | Boise, ID      | 31,334            | Under Contract | 100%                               | \$3,400,000               | \$1,539,124               | Tenant-in-Tow |
| <b>Total</b>         |                         |               |                | <b>177,343 SF</b> |                | <b>99%</b>                         | <b>\$14,550,000</b>       | <b>\$5,268,649</b>        |               |



# NEW INVESTMENTS



## Siete Square

Phoenix, AZ

**Property Type:** Office

**Size:** 57,933 SF

**Cost Basis:** \$8,202,370

In June the Fund acquired a 57,933 square foot two-story office property in Phoenix, Arizona, one of our target markets, which in turn has increasing the geographic diversification of the Fund. 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. The asset has additional upside potential as the submarket continues to grow and office rents in the area increase corresponding to the increased demand. The asset was acquired at a price well below replacement cost which should ensure that the property remains competitive through future market cycles.



## 12005 Meridian

Puyallup, WA

**Property Type:** Retail

**Size:** 7,274 SF

**Projected Cost:** \$4,635,000

12005 Meridian is a development project in the Seattle metro area. The site was formerly the location of a thrift store but situated on a hard corner along the primary retail corridor near South Hill Mall in Puyallup, the real estate was severely underutilized.

The Fund purchased the property in April and negotiated a buyout of the prior tenant. The former building has been demolished and construction is now underway for a 7,274 square foot two-tenant retail building. The primary tenant is CityMD, an urgent care operator that has partnered with a local health system. The other tenant is a national quick-serve restaurant. These two tenants are leasing 100% of the property. Construction of the project is expected to be completed by early 2018.



## Dutch Bros Caldwell

Caldwell, ID

**Property Type:** Retail

**Size:** 874 SF

**Projected Cost:** \$1,315,000

In April, the Fund started construction of a new 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.

Alturas has partnered with a local developer to construct the store which will be a new, more modern prototype for Dutch Bros. The store is located immediately off of the Franklin Blvd exit of I-84 with excellent visibility for commuters heading east to Boise and west to Oregon. This is also the primary exit for the College of Idaho, a private liberal arts college. The Dutch Bros is expected to be open for business by late summer.



# EXISTING PORTFOLIO



**1444 Entertainment**  
Boise, Idaho

Fourteen Forty-Four is a 83,000 square foot Class-A office building. Since acquisition, we have signed new leases that bring the total occupancy to 98%. An entire floor was leased to Clickbank and Truckstop.com significantly expanded their footprint in the building. We also signed a lease with CBC Advisors, a regional commercial real estate firm based in Salt Lake City. By year-end all of those tenants will be in occupancy.



**595 Washington**  
Twin Falls, Idaho

595 Washington is a 11,195 square foot 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 hospital uses 595 Washington as a facility to store excess medical equipment, records and other miscellaneous items.



**Mission Village**  
Wenatchee, Washington

Mission Village is a 32,271 square foot retail center in eastern Washington. Notable tenants include Jimmy Johns, H&R Block, and T-Mobile. We purchased the property with vacancy, and have been working with our local partners, the most prominent retail brokers in the area, to attract additional tenants. Two additional leases were signed since last quarter and one further lease is in the final stages of negotiation.



**Eagle Marketplace**  
Eagle, Idaho

Eagle Marketplace is a 58,624 square foot retail center located at the intersection of two key arterial roads. This project continues to outperform our initial underwriting. Occupancy is now up to 86% from 50% at the time of acquisition. Leasing activity remains strong and one additional lease has been signed since the last quarter. The asset continues to move closer to full stabilization.



**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.



**110 Main**  
Boise, Idaho

110 Main is a historic mansion located in downtown Boise that is being converting 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.



**Treasure Valley Crossing**  
Nampa, Idaho

Treasure Valley Crossing is a 21,000 square foot 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.



**Westpark**  
Boise, Idaho

Westpark is a 117,510 square foot industrial and office property located in Boise, Idaho. The property consists of two buildings and has excellent access to I-84. The property was acquired from a motivated seller and signed a long-term lease with Patrick Industries, a publicly traded manufacturing company. The property continues to provide excellent cash flow to the Fund.



**1124 Caldwell**  
Nampa, Idaho

1124 Caldwell was a 2,600 square foot 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.

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