THE PATHFINDER REPORT

January 2017

IN THIS ISSUE

We are pleased to announce the launch of our sixth major real estate investment vehicle, Pathfinder Partners 2017 Multifamily Opportunity Fund, L.P. (The "Fund"). We are targeting a $35-$50 million fundraise in the Fund with favorable terms for investor commitments received before January 31, 2017. Click here for more information on the Fund and to view a brief video about Pathfinder.

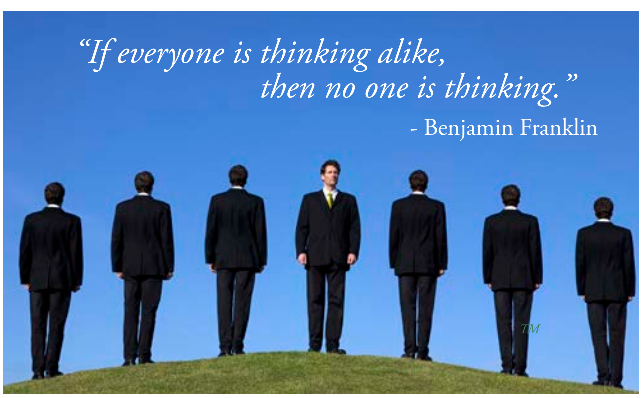
ANNOUNCING PATHFINDER'S NEW FUND

PATHFINDER PARTNERS 2017 MULTIFAMILY OPPORTUNITY FUND, L.P.

$50,000,000

MULTIFAMILY AND RESIDENTIAL VALUE CREATION FUND

Seeking superior risk-adjusted opportunities through transformational, value-add, multifamily investments in the Western U.S.



ANY OFFERS TO BUY SECURITIES WILL BE MADE ONLY PURSUANT TO A CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM, WHICH WILL DESCRIBE IN DETAIL THE SECURITIES, INVESTMENT STRATEGY, AND RELATED RISKS.

PATHFINDER® PARTNERS, LLC

Intelligent, Innovative Investing

CHARTING THE COURSE

What the Humble #2 Pencil Can Teach Us About Trade and Freedom

By Mitch Siegler, Senior Managing Director

"I, Pencil", an essay by Leonard E. Read first published in 1958, tells the story of an ordinary wooden pencil and teaches profound lessons about economics, trade and freedom.

A pencil – what could be simpler? Not much there, really – some wood, lacquer, printed labeling, graphite lead, some metal and an eraser. The story – told by the pencil – begins with a cedar tree that grows in northern California. The pencil reminds readers of all of the saws, rope and equipment used in harvesting and shipping the logs to the railroad siding. All of the people and numerous skills that went into their fabrication: mining ore, producing steel and manufacturing saws, axes, motors; growing hemp and producing heavy rope. The thousands of people who had a hand in every cup of coffee the loggers drink!

The logs are shipped to a nearby mill. Legions of people who make railroad cars and engines and rails and who construct and install the communication systems they rely upon. At the mill, the logs are cut into small, pencil-length slats less than ¼" thick. The slats are kiln-dried, waxed and kiln-dried again. Think of all who produced the kilns, supplied the electricity, poured the concrete for the dam that supplies the mill's power.

In the pencil factory, featuring millions of dollars in machinery and building, each slat is given eight grooves by a complex machine, after which another machine lays leads in every other slat, applies glue, and places another slat atop. The "lead" itself is actually graphite mined in Ceylon. Hundreds of miners are supported by those who make their many tools and by stevedores who load graphite aboard ships and the supporting shipbuilders, sailors and harbor pilots.

The wood receives six coats of lacquer, which itself has many ingredients and is made according to a complex process. The small bit of metal (called a ferrule) is brass. Brass is made of zinc and copper, which are mined and shipped in processes involving thousands of people. Very few people have the skills to fabricate sheet brass from these natural elements. Then there's "the plug", commonly referred to as the eraser. It's made by combining rape-seed oil from the Dutch East Indies with sulfur chloride and various vulcanizing and accelerating agents.

Mr. Read asserts that no single person on the face of this earth knows how to make a pencil. There isn't a single person on earth, including the president of the pencil company, who contributes more than a tiny, infinitesimal bit of know-how to the overall process.

Neither the worker in the oil field, the chemist, the miner, any stevedore, sailor, railway worker, pencil factor worker – even the company president – performs his task because he cares one whit about pencils. Some can't read or write and have never even used a pencil. Their motivation is simple: each sees that he can exchange his tiny skill or labor for the goods and services he needs or wants. It's Adam Smith's "Invisible Hand" at work.

Have faith in free people and get the government out of the way

Mr. Read, through the pencil, says that "If you can become aware of the miracle which I symbolize, you can help save the freedom mankind is so unhappily losing." Read believed that all of these know-hows behind the simple pencil naturally and automatically arrange themselves into creative and productive work in response to human necessity and demand "in the absence of governmental or any other coercive masterminding – underlying all of this is a faith in free people. Read wrote that "freedom is impossible without this faith."

Of course, pencil making is infinitesimally easier than producing cars, solar panels, telephones, X-ray machines – the list goes on and on. And open heart surgery, computer programming and nuclear power plants are more complicated still. The lesson from the pencil from nearly 60 years ago is just organize society to act in harmony with these free market principles and remove as many obstacles as possible to permit these creative know-hows to flow freely. Have faith that free men and women will respond to the Invisible Hand.

The pencil is fundamentally unchanged today from the time we used it decades ago for standardized tests in elementary school. It's a fine tool, a good – even great – workhorse. About 1.5 billion pencils are sold in the U.S. each year.

You won't be surprised to hear that not too many pencils are made in America today. The vast majority are produced offshore. The leading brand, Dixon Ticonderoga Co. ceased U.S. production but has factories in Asia, Europe and Latin America; you can purchase one of their pencils for about $.15 (pre-sharpened!). In March 2016, Nigeria announced that it will create 400,000 jobs by opening a pencil factory in 2018. Who knew?

On pencils, cars and air conditioners

Now, we don't know squat about performing open heart surgery or operating nuclear power plants. We couldn't build an automobile or cell phone – even a pencil – if our lives depended on it. All of our employees are in America – we have no foreign divisions, subsidiaries or affiliates. We don't know whether Ford and Carrier ought to make cars and air conditioners in the U.S., Mexico or Timbuktu. Presumably, these massive companies managed by very bright people know well what they need to do to compete. As taxpayers, we're all for eliminating waste, fraud and abuse and unnecessary regulations and would love to see us increase the number of high-paying manufacturing jobs in the good ol' US of A.

But, facts are stubborn things and for every U.S. manufacturing job lost to trade, another eight are lost to automation, according to a report from Ball State University. And protectionist pressures could trigger higher inflation – or worse – a deflationary depression like what we experienced following the Smoot-Hawley tariffs of 1930.

Notwithstanding our limitations, we like to think that we know what we don't know and we do try to be mindful of unintended consequences. We're pleased by some early signs that our new administration could be good – you might say ***great*** – for business. Nobody would be happier than us to see American businesses untethered from regulations and unleashed by lower taxes to invest, grow and hire all kinds of people. Bring it on! But we worry that cherry-picking companies for personal telephone calls, while it plays well on the evening news and at rallies, is likely to be neither effective nor sustainable.

Our New Year's wish is that our new administration maintains humility, remains mindful of what it doesn't know and lets the market work. Let freedom ring!

Mitch Siegler is Senior Managing Director of Pathfinder Partners, LLC. Prior to co-founding Pathfinder in 2006, Mitch founded and served as CEO of several companies and was a partner with an investment banking and venture capital firm. Reach him at msiegler@pathfinderfunds.com.

FINDING YOUR PATH

Musings from the Front Line

By Lorne Polger, Senior Managing Director

I haven't turned my television on since the election. Literally. Not that I was a big television watcher to begin with, but frankly, I felt so overloaded with the daily political battles and over-analysis of the smallest of non-news events, that I just decided to tune out. It's been quite refreshing. I've caught up on reading some professional periodicals, fun periodicals and a couple of works of fiction. I binge-watched the second season of *Narcos* on my iPad. And I've played my drums more. I like that. It's also calmed my nerves about what America may look like four years from now and beyond. Frankly, I got pretty darn tired of "the world is coming to an end" talk around the holiday party circuit. It's not.

That said, the world (and the U.S.) will be different going forward. Our foreign policies will change. So will some of our monetary policies. Market volatility may increase. And regardless of whether Donald or Hillary was elected, the reality is that neither candidate was likely to stop the end of a significant growth cycle. Politics can impact the depth or duration of cycles, but they generally don't stop them.

A lot of people are nervous about the economy right now. Very nervous. We hear a lot of talk about frothiness. We know that trees don't grow to the sky and the music doesn't play forever (in fact, we predicted so much back in 2006). As we embarked on our newest real estate fund (launched a couple of weeks ago), we asked ourselves many of the same questions that our investors and readers also may be asking themselves. Are we near the top? If so, is now a good time to buy? Where are the opportunities? Where is the position of safety? Are there real estate product types to pursue and those to avoid? Are there geographies that will perform better than others? How much will interest rates increase? How should you look at holding periods now? If you aren't asking yourselves those questions for your various investments, you may want to.

Our conclusions, drawn from decades of experience across many cycles, product types and geographies along with constant and in depth review of research and commentary, is that there are some safe plays out there. In particular, we are strong believers in class-B apartments.

We've written a bunch before about the proliferation of new apartment projects in the cities where we do business. We're starting to see a few cracks in the armor in the development sector. Concessions (i.e., some free monthly rent) have started to appear in some (but not all) markets for the first time in many years. That's what happens when supply begins to exceed demand; as housing options increase, you have to fight for tenants. You do so initially with location and amenities, but eventually, that may not be enough and price enters into it. But with all of the new construction, the vast majority has been in the new class-A space. I've read recently that the proportion is 99%. Why? Because you could not cost effectively construct a new class-B or C apartment given the high costs of land, increasing difficulties in obtaining entitlements and escalating construction (primarily labor) costs. In order to generate the rents that make those new projects pencil, developers needed to set the bar pretty high; it's not at all uncommon these days to see monthly rents in those projects in the \$2,500-\$4,500 ranges. Great stuff if you can afford it and some can. But many can't. And if the overall economy begins to slow and the investment markets soften, we believe that more won't.

That's why we like class-B apartments. There is a massive difference in rents between class-A and class-B across our markets. In some cases, the asking rent differences might be double, in others, even more. So even if the class-A buildings have to drop their rents five, ten or even shockingly, 20% in the event of a significant economic downturn, we believe there is still plenty of room to run in class-B rents, especially after employing a tested and proven value-add strategy. Even then, a substantial difference between class-A and class-B rents will likely remain.

In the event of a big economic dip, people will still need a place to live. They are buying fewer homes – the homeownership rate has fallen from 69% to 63% in the past decade. Populations are growing (especially in our markets). If you can't afford that shiny new apartment, you're still going to need a place to rest your head. A step down to a class-B is not that great, but it's a potentially large saving in monthly outlay for most folks.

We also really like the markets we are in. Ultimately, much of the success in real estate ties to population and wage growth. There's lots of evidence that we'll continue to see solid population and income growth in Seattle, Portland, Denver, Phoenix and southern California. You may be able to get better short-term yield in Indianapolis, but are you going to achieve growth? Not likely.

We also think that in the event there is a dip in 2019 or 2020 as some have predicted, class-B apartments will weather that storm better than any other sector, and come out the backside in good shape. It's one of the reasons that we matched up the duration of our latest fund with that type of cycle. Ride safely through the storm and think about exits in 2022 or 2023.

Where do I not want to have my real estate capital allocated these days? I wouldn't touch office or retail with a ten-foot pole. The ways we work and shop have changed so rapidly over the past ten years that it could be foolhardy to safely predict where they are heading in 2027. The trends are daunting. My young adult kids purchase 90% of their goods online. How about yours? Think about that.

Now may not be the time to be swinging for the fences. We think it's a good time to hunker down a bit and play things safe. Hit some singles. Maybe sprint hard and hit second base for an occasional double. The next few years are going to be an interesting ride. Perhaps unprecedented in many ways. That said, if future volatility makes you sick or nervous, we believe the real estate prescription is in class-B apartments. Call it the Pathfinder flu shot for the next few years.

Find time this year to enjoy your families and friends. It's important.

Lorne Polger is Senior Managing Director of Pathfinder Partners, LLC. Prior to co-founding Pathfinder in 2006, Lorne was a partner with a leading San Diego law firm, where he headed the Real Estate, Land Use and Environmental Law group. Reach him at lpolger@pathfinderfunds.com.

GUEST FEATURE

Tax Policy and Trump – What To Expect Now

By Brian Furman and Craig Wickwire, RSM

Some of us awoke to an unexpected outcome of the U.S. Presidential election – what many political pundits would call an upset. As you can imagine, the unexpected outcome is now providing opportunities for tax planning, quite unlike anything we've considered previously. President-Elect Trump's tax proposals as compared to the GOP proposals ("Blueprint") aren't measurably different, as we will explain below, but there are still many unanswered questions. However, we do know that Speaker of the House, Paul Ryan, has personally committed to substantial donors that tax reform will be enacted in 2017.

First 100 Days

We expect the 115th Congress to enact two budget bills during 2017. The first will be to repeal the 2009 Affordable Care Act and to wrap up any leftover business from the 114th Congress. The second budget bill will focus on comprehensive tax reform, but is not expected to be passed until late summer 2017.

Effect on Individual Taxpayers

As with all tax reform, both the President-Elect's and House Republican's plans are aimed at "simplifying" the tax code. However, if history is any indication, the tax code is rarely ever simplified. There are some common themes behind both plans, such as reducing marginal tax rates while broadening the tax base. For individuals, this involves either eliminating certain itemized deductions such as state and local taxes, the medical expense deduction and miscellaneous deductions [House Republicans] or enacting a hard cap on itemized deductions at $200,000 / $100,000 for Married Filing Jointly and Single taxpayers, respectively [Trump]. Some other items worthy of note are the proposed elimination of the 3.8% net investment income tax, Alternative Minimum Tax (AMT) and estate tax.

Effect on Entity Taxpayers

With roughly 95% of entities operated as pass-through entities, business taxes have become a prime target for tax reform. It is likely that we could actually see an entity-level tax imposed upon pass-through entities. For instance, President Elect Trump's proposal calls for a 15% entity-level tax on pass-through entities as well as a "dividend" tax on large pass-throughs. The House Republican's plan calls for a 25% tax on the remainder of income after "reasonable compensation" has been taken. This, coupled with new Internal Revenue Service audit regulations related to pass-through entities, could result in much higher overhead and compliance costs for these historically lean organizations.

While it seems there is an unfavorable landscape ahead for pass-through entities, the future is brighter for corporate entities. Under both plans the corporate tax rate is proposed to be slashed to between 15% and 20%.

How are these tax cuts being paid for?

The President-Elect not only wants to reduce the amount of tax revenue being collected, but also wants to begin large spending projects on infrastructure on a level that hasn't been seen since the New Deal. Yes, that's right, not since the 1930s! This infrastructure investment won't only focus on roads, bridges, ports and canals, but will be much more broad and modern including sewage, water, broadband internet, cybersecurity and hardening the energy infrastructure.

The crux of any major piece of legislation is how it's going to be paid for. In this case, the major target is attracting the $2.6 trillion in corporate profits being held internationally abroad. Under current U.S. tax law, taxes on foreign earnings are deferred until the cash has been repatriated to the U.S. These proposed tax reforms include provisions which will begin taxing these international profits or eliminating this deferral of tax.

The other broad way of "paying" for these changes is by broadening the base and growing the economy. This makes for a great political slogan, however it rarely occurs with enough swiftness to provide measurable change for the average citizen.

The Sky is Falling - What Should I Do?

As with any tax change, speculation and predictions of doomsday will be put forth by both sides of the aisle leading up to and even after the passage and implementation of new laws. As an ordinary (or even sophisticated) taxpayer, it is next to impossible to interpret what is actually occurring. Even Congress doesn't know the laws it's voting for, evidenced by historic sayings such as "you must pass it to see what's in it." However, it's not all for naught. There are a select breed of people out there that pride ourselves on being able to not only interpret this meandering, often contradictory code of laws known as the Internal Revenue Code, but navigate it and guide others based on their unique situations. It is in these times of fundamental change that you should lean on your trusted advisors – your CPA, attorney or financial advisor – to provide you with sound advice on how to best navigate this volatile time.

Brian Furman is a Tax Senior Associate with RSM US LLP, specializing in serving mid to large alternative investment companies. He can be reached at brian.furman@rsmus.com.

Craig Wickwire is a Tax Partner of RSM US LLP where he leads the Firm's tax practice in Los Angeles and the southern California alternative investments tax group. He has 16 years of public accounting experience and focuses on serving mid to large alternative investment companies. He can be reached at craig.wickwire@rsmus.com.

ZEITGEIST – SIGN OF THE TIMES

Go West, Apartment Investors, Go West

Western Metros Lead the Nation in Rent Appreciation

Recent data from *John Burns Real Estate Consulting* (*JBREC*) and *Zillow* reveals that cities in the western U.S. are poised to lead the nation in rent increases in 2017. Zillow predicts rents will rise in 34 of the 35 largest metros with Seattle, Portland and Denver – Pathfinder stomping grounds – projected to show the highest rent growth at 7.2%, 6.0% and 5.9%, respectively from August 2016 to August 2017.

Zillow's Top 10 Markets for Rent Growth

August 2016 - August 2017

1. Seattle	7.2%
2. Portland	6.0%
3. Denver	5.9%
4. Cincinnati	5.2%
5. San Francisco	4.9%
6. Los Angeles	4.8%
7. Sacramento	4.7%
8. San Diego	4.7%
9. Phoenix	4.6%
10. San Jose	4.5%

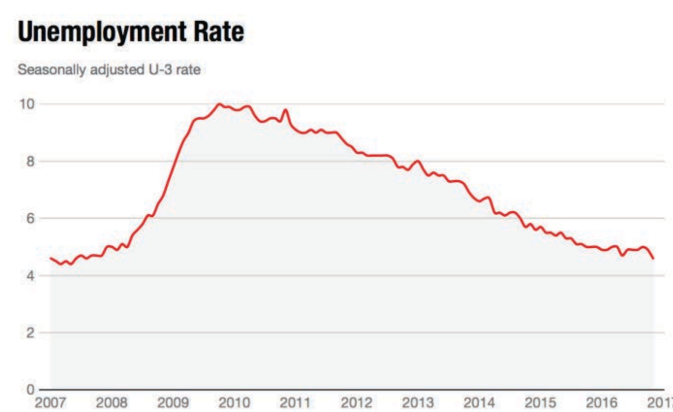
According to *JBREC*, rent growth in several western metros is largely attributed to an acute supply/demand imbalance. Strong growth in population, job formation and median income has stimulated demand in these supply-constrained markets, pushing occupancy rates and fueling rental rate increases.

This trend is especially prevalent in Seattle – from 2011 to 2015, the Emerald City experienced growth rates of 8.6% in population, 13.5% in employment and 16.4% in median income. During this same period, rents increased a whopping 30%! In August 2016, Seattle's employment-to-permit ratio – which compares the number of new jobs to new housing permits – stood at 3.2, well above the equilibrium of 1.1 to 1.5 jobs per permit. With demand for housing in Seattle outpacing supply, the average occupancy rate rose to 95.6% in September – the highest level in a decade. As with many of metros in the top 10, Seattle's economic fundamentals are expected to remain strong and sustain rent growth into 2019.

Although rent appreciation in the major western markets is expected to remain strong in the near-term, experts believe future growth will be more modest. Zillow's Chief Economist Dr. Svenja Gudell, states "There is good news for renters on the horizon, though. Current renters in these markets can expect rents to slow a bit over the next year. Instead of the 10% rent appreciation we've been seeing in some places, expect growth more along the lines of 4-7%. This is still high, but will hopefully give renters some relief."

2016 Economic Honor Roll

The economy is continuing its slow and steady rebound and the S&P 500, Gross Domestic Product (GDP – a measure of economic growth) and employment statistics are looking positive as we start to tally the grades for 2016 and look ahead to 2017 and beyond.



The S&P 500, currently nearing a historical high, has seen a surge of 7.37% since the election and increased 9.54% in 2016. GDP growth was solid in the third quarter increasing at an annualized rate of 3.2%. The unemployment rate fell to 4.6% in November, the lowest rate since August 2007. The average jobs gain year-to-date for 2016 is 180,000/month and this trend continued in November with 178,000 new jobs. Overall, the U.S.'s economic report card for 2016 would make any parent proud.

Trends Indicate Strong Tailwinds in Multifamily

As multifamily occupancy and rental rates reach historic levels, many are wondering when the investment sector might cool down. Experts say there is still plenty of room to run due to the U.S.'s evolving demographic trends including (i) the propensity for Millennials to delay marriage and children, (ii) a gross undersupply of affordable for-sale housing in many major markets, (iii) labor shortages, land costs and regulatory and lending restrictions which are stifling new development and (iv) an increase in Baby Boomers transitioning to rental housing.

According to *Colliers International's* chief economist Andrew Nelson, "supply-demand fundamentals and capital market forces will remain favorable for some time. Recent housing trends have created a positive perfect storm for the multifamily sector, which was the first to recover after the recession and the first to reach new peaks during the expansion. There are a bunch of things working in favor of the multifamily sector." Adding further fuel to the fire is the homeownership rate, which has fallen to around 63%, down from 69% a decade ago and its lowest level since the Census Bureau began tracking it in 1965. Nelson adds, "They've (*homeownership rates*) gone down substantially and consistently. Some people expected homeownership rates to hit bottom and start to rise again, but there's been no indication that that the current trend will reverse or plateau."

TRAILBLAZING: SIENNA LOFTS, GRESHAM, OR

Reinventing a Community for Residents and their Furry Friends

Community Enhancements

Resident Lounge

Dog Park

Interior Upgrades

Kitchen Before

Kitchen After

There is something about a dog's sense of smell and ability to sniff out the unexpected. Like Rover, we hunted far and wide before uncovering Sienna Lofts in the quaint Portland, Oregon suburb of Gresham.

Sienna Lofts was built in 2004 by a California developer. The developer apparently didn't get the memo about Portland's annual rainfall (~39") since the buildings were not appropriately weather-proofed. The developer sold the property in 2006 and the new owner soon became aware of the building envelope deficiencies by virtue of the resulting water damage. The property's original developer and contractors settled a construction defect lawsuit with the heirs of the new owner (the buyer passed away prior to the resolution of the lawsuit) and the heirs received a large check intended to remedy the buildings' design/construction issues.

The heirs, who had little commercial real estate experience, struggled to complete the repairs in a timely manner while the clock was ticking toward the maturity date on their balloon mortgage. Under pressure and with the exterior repairs only 40% complete, the owner listed Sienna Lofts for-sale "as-is" with a brokerage firm with whom Pathfinder had a longstanding relationship. Our ears perked up when the phone rang and we sensed an opportunity to acquire what could be a great property once we resolved some of these challenges.

Sienna Lofts is a 75-unit apartment community situated on 3.15 acres. It is comprised of eight studios, 63 one-bedroom and four two-bedroom apartments averaging about 750 square feet. We believe the property's submarket contains a shortage of one-bedroom apartment and Sienna Lofts' weighting of one-bedroom and studio apartments provides the property with a competitive advantage. We also believe the City of Gresham, which has one of the lowest vacancy rate in the Portland Metro Area (just 1.4%!), is well positioned for superior rent growth as Portland's core markets continue to break rent records and many residents move east in search of value.

After our purchase, we immediately began to implement the building envelope repairs. We are also renovating the decade-old common areas and unit interiors with an aim to modernize the flooring, appliances and finishes.

We also saw an opportunity to create an enhanced living environment for the residents' furry friends by taking an underutilized area of the property and constructing a doggie "Bark Park". At Pathfinder, we love our dogs (we make no bones about it) and Portland has been voted the #1 dog-friendly city by *DogTown USA* multiple times. We're excited to progress with our business plan at Sienna Lofts and we're confident the end result will be well received by humans and canines alike!

NOTABLES AND QUOTABLES

The Unexpected

"Expect the best, plan for the worst and prepare to be surprised."

- Dennis Waitley,
motivational speaker

"To expect the unexpected shows a thoroughly modern intellect."

- Oscar Wilde,
Irish author

"Maturity is the capacity to endure uncertainty."

- John Huston Finley,
American professor

"Unexpected change is like a breath of fresh air – a little brisk at first, but magic for the body and soul."

- Susan Wiggs,
American author

"We will only understand the miracle of life fully when we allow the unexpected to happen."

- Paulo Coelho,
Brazilian author

"There is only one kind of shock worse than the totally unexpected – the expected for which one has refused to prepare."

- Mary Renault,
English author

"Nobody succeeds beyond his or her wildest expectations unless he or she begins with some wild expectations."

- Ralph Charell,
American author

IMPORTANT DISCLOSURES

The information contained within this newsletter is not a solicitation or offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction. Pathfinder does not render or offer to render personal investment advice through our newsletter. Information contained herein is opinion-based reflecting the judgments and observations of Pathfinder personnel and guest authors. Our opinions should be taken in context and not considered the sole or primary source of information.

Materials prepared by Pathfinder research personnel are based on public information. The information herein was obtained from various sources. Pathfinder does not guarantee the accuracy of the information.

All opinions, projections and estimates constitute the judgment of the authors as of the date of the report and are subject to change without notice.

This newsletter is not intended and should not be construed as personalized investment advice. Neither Pathfinder nor any of its directors, officers, employees or consultants accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

Do not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Pathfinder) made reference to directly or indirectly by Pathfinder in this newsletter, or indirectly via a link to an unaffiliated third party web site, will be profitable or equal past performance level(s).

Investing involves risk of loss and you should be prepared to bear investment loss, including loss of original investment. Real estate investments are subject to the risks generally inherent to the ownership of real property and loans, including: uncertainty of cash flow to meet fixed and other obligations; uncertainty in capital markets as it relates to both procurements of equity and debt; adverse changes in local market conditions, population trends, neighborhood values, community conditions, general economic conditions, local employment conditions, interest rates, and real estate tax rates; changes in fiscal policies; changes in applicable laws and regulations (including tax laws); uninsured losses; delays in foreclosure; borrower bankruptcy and related legal expenses; and other risks that are beyond the control of the General Partner. There can be no assurance of profitable operations because the cost of owning the properties may exceed the income produced, particularly since certain expenses related to real estate and its ownership, such as property taxes, utility costs, maintenance costs and insurance, tend to increase over time and are largely beyond the control of the owner. Moreover, although insurance is expected to be obtained to cover most casualty losses and general liability arising from the properties, no insurance will be available to cover cash deficits from ongoing operations.

Please add msiegler@pathfinderfunds.com to your address book to ensure you keep receiving our notifications.