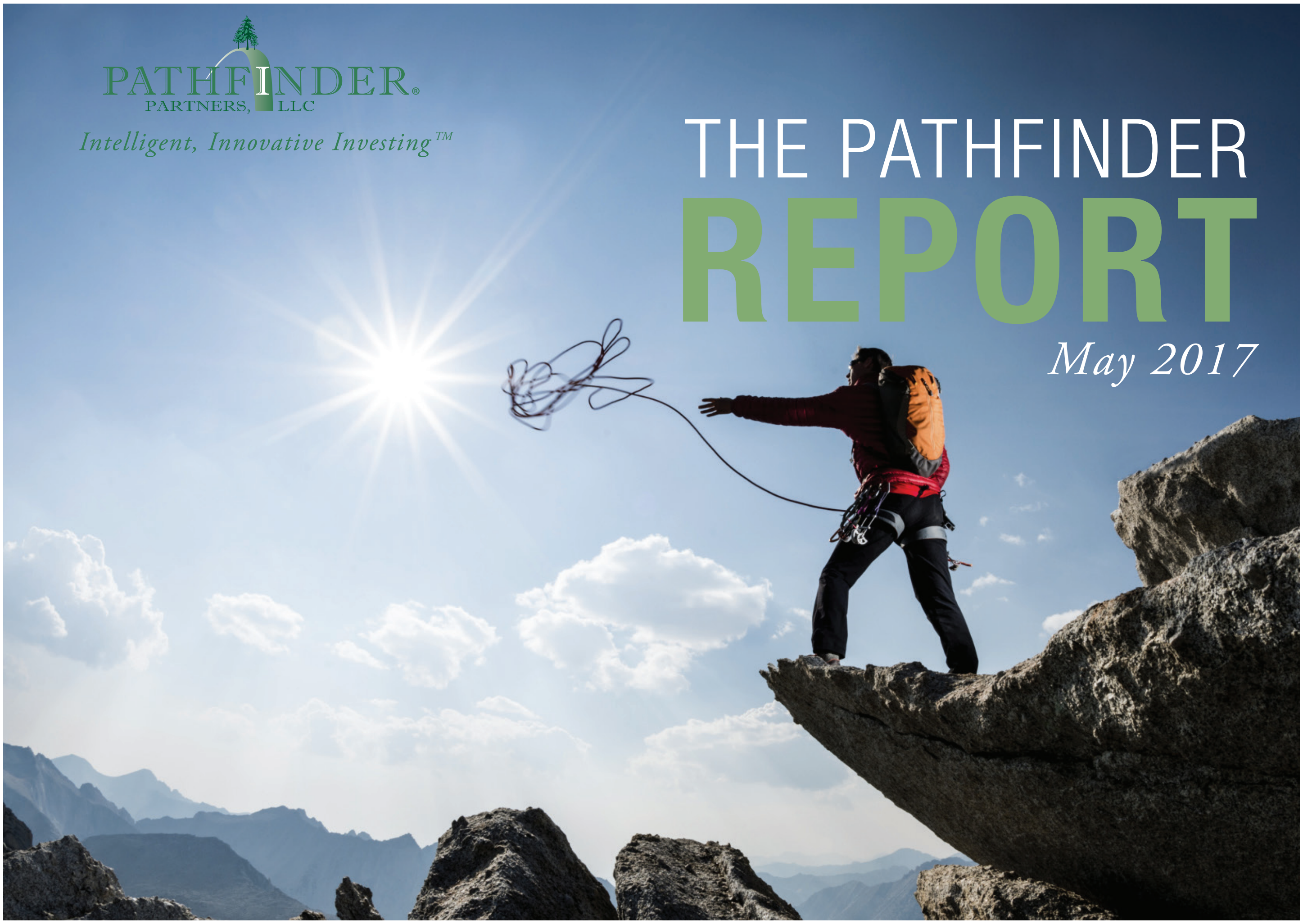
PATHFINDER PARTNERS, LLC

Intelligent, Innovative Investing™

THE PATHFINDER REPORT

May 2017



IN THIS ISSUE

We are pleased to announce the initial closing 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 and held an initial closing of $27 million in February. Click here for more information on the Fund and to view a brief video about Pathfinder.

PATHFINDER PARTNERS, LLC

is pleased to announce the initial closing of

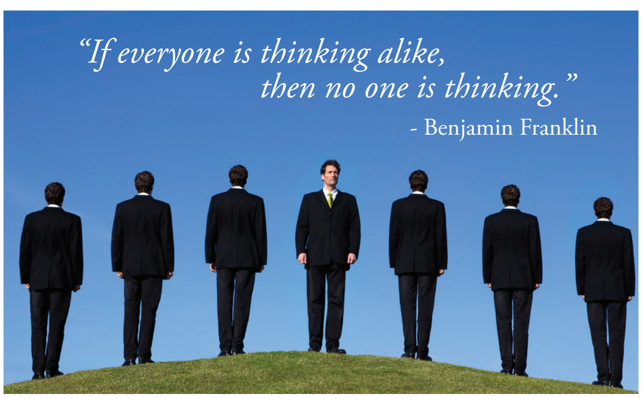
PATHFINDER PARTNERS 2017 MULTIFAMILY OPPORTUNITY FUND, L.P.

A real estate private equity fund focusing on western U.S., value-add multifamily properties

COMMITTED CAPITAL TO DATE OF

$31,000,000

FUND CLOSES JUNE 30, 2017



THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY. MAY 9, 2017.

PATHFINDER® PARTNERS, LLC

Intelligent, Innovative Investing™

CHARTING THE COURSE

A Time for Caution

By Mitch Siegler, Senior Managing Director

At press-time, the Dow Jones Industrial Average is pushing 21,000 with the NASDAQ nearing 6,100. Nose-bleed territory. Sure, stock prices could still trend higher but the market seems priced for perfection and any cracks in the Trump tax cut façade could spell trouble for equities.

Meanwhile, interest rates seem poised to move higher. The Fed's March rate increase will likely be followed by a couple of additional moves up later this year. Interest rate increases generally spell trouble for bond prices and those with fixed-income portfolios may be getting a bit skittish. A bellwether rate, the 10-year Treasury, is hovering around 2.3%.

Source: Macrotrends.net

Looking at a chart of rates over the past 54 years, you'll see rates this low only a handful of times (all after September 2011). Stated differently, rates haven't been this low in half a century.

So, what's an investor to do? Well, typically ordinary investors do what everyone else does. Some sophisticated investors zig when others zag but most just follow the herd. There's safety in numbers and portfolio managers are rarely fired for having a portfolio filled with obvious, blue chip names. Mom and pop investors almost always follow the herd. They pile into stocks when everybody else does and bail when there's a market panic. It's mostly at the extremes that the crowd is dreadfully wrong. And nothing's more extreme than the edge of the cliff.

Individual investors were running scared on Friday afternoon, March 6, 2009 when the S&P 500 bottomed at the perverse level of 666. The index is approaching 2,400 a decade later, 3.5 times higher. The reverse, of course, is also true – investors were tripping over themselves to own stocks on October 11, 2007 when the S&P 500 peaked at 1,576, before the music stopped and the S&P 500 plummeted nearly 60% during the next 18 months.

Markets oscillate between euphoria and panic. For those with a clear head, money can be made – or lost – at both ends of the spectrum and at most points in between. But things can reach dizzyingly schizophrenic levels.

In 1637, at the peak of tulip mania in Holland, single tulip bulbs sold for more than ten times the annual income of a skilled craftsman. In hindsight, it's obvious that this made absolutely no sense. In the wake of the October 19, 1987 stock market crash, our former venture capital firm acquired shares in a Silicon Valley technology company we knew well for a smidgen above the value of the cash on the company's balance sheet. The company had a blue-chip customer base, amazing technology and a rock-solid management team. Thirty years ago, this price disparity made absolutely no sense to us. Today, the stock is up 100-fold from those levels.

These days, Bank of America's "sell side indicator", a barometer of stock market optimism, is flashing green. Investors are turning bullish again. Now, at peak price levels, investors are becoming euphoric. Since this sort of indicator is usually contrarian in nature (it's bullish for stocks when investors are bearish and vice versa), a green "sell side indicator" could be a troubling sign. Especially since the run-up in stock prices has occurred during a three-year period of virtually flat earnings for the S&P 500 and anemic first quarter GDP growth (0.7%, down from the previous quarter's already low rate of 2.1% – itself the lowest level since the first quarter of 2014).

Optimists are hanging a lot on the much-ballyhooed Trump tax cuts. And while we may see them at some point, that day could be a while in coming and who knows what we'll get, if we get anything at all? Much of the good news seems priced in and we're mindful of the old investing saw "Buy the rumor, sell the news."

Need we say we're a wee bit cautious on stocks? Bonds, too. Since, real estate investing is our thing, a few words about that.

We recently attended a real estate investing conference and were awakened from our afternoon nap by a couple of panelists extolling the wisdom of investing in retail – regional malls, grocery-and drug-anchored strip centers, triple-net (NNN) leases and the like. One fellow mentioned that NNN leases (those on credit-rated drugstores like CVS and Walgreens, fast food outlets like Burger King and Carl's Jr. and their brethren in fields as diverse as auto parts, oil changes and child care) are trading in nose-bleed territory. Investors are standing in line to buy these leases at prices that will make your heads spin.

In fact, net-lease real estate investment trusts (REITs) have outperformed the broad-based REIT index over the past one, two and three-year periods. Panelist #1 reported that these REITs were trading at prices equal to about 130% of the value of the underlying leases the REITs own. That suggests a 30% price decline may be in order. Meanwhile, Panelist #2 reported that REITs indexed to regional malls were trading at discounts of about 30% to their underlying assets – suggesting that many regional malls would soon be going the way of the Dodo bird. Both could remain true forever, of course, but it seems rather unlikely.

Since the boss at our house very rarely visits Target® anymore (down from several times each month back in the day) and we receive dozens of shipments from Amazon every month, we're rather bearish on the state of brick and mortar retail in the good ol' US of A. Having invested in and consulted for countless retailers, we know that these guys are already on thin ice and the business is highly leveraged – meaning even a small change to the top line can lead to big swings to the bottom line. So, when the neighborhood Walgreens loses the boss's toothbrush, toothpaste, dental floss, make-up, razor blade, deodorant and other non-perishable business to our good friends at Amazon.com, it stings. And, when pretty much every one of her friends and neighbors follows suit, it downright hurts. And it's a short list of retailers that aren't vulnerable to or seriously threatened by Amazon. So, unless you view Amazon as a retailer, we're not going anywhere near that investment category.

So, where does that leave us? Well, people need a place to rest their weary heads. And the homeownership rate has fallen drastically during the past decade. (Lots of reasons for this, including the economic downturn and its accompanying foreclosure crisis, the ensuing damage to the credit of millions of Americans, high rates of student loan debt and millennials' desire for mobility, among others.)

For all of these reasons and then some, we're bullish on apartments. Will Rogers famously said "buy land – they're not making any more of the stuff" and the same is nearly as true about apartments.

Virtually none were built from 2007-2012. There are cranes in the sky today but they're pretty much all being used to construct Class-A, luxury properties. (There's so little available land and the entitlement and permitting processes are so odious that it makes no sense to beat your head against the wall constructing anything but top-of-the-line units.) And in the markets Pathfinder plays (Seattle, Portland, San Diego, Denver and Phoenix), population and job growth are robust, occupancy rates are 95% plus and rent growth these past few years has been through the roof. What you have here is a classic supply and demand imbalance.

Like anything, of course, our investment strategy has a few twists. We're entirely focused on Class-B apartments (generally, those built during the '70s and '80s). We like properties being sold by long-term owners and love those which haven't been upgraded in 20 years (or ever). We infuse capital to improve the property and raise rents. If good things are happening in the neighborhood (gentrification, a new transit station, improving resident profile or schools, etc.), all the better.

Oh, and debt remains cheap – so when we can buy an already built property in a growing market, typically at less than the cost to replace it today, add value through renovations, manufacture income through the value-add strategy and ride the wave for the next five to seven years, it's not a bad place to park money. Should we see inflation resulting from decades of government deficit spending, there's no better inflation hedge than real estate. And, if growth remains sluggish, our tenants will likely stay for longer periods of time.

Sure, we may see a great big, fabulous plan to simplify the tax code and reduce everyone's rates. It would be great. Big. Fabulous. And the stock market may move ever higher. Generally, trees don't grow to the sky but sure, they could this time. And maybe the party lasts another while longer if the Fed takes another breather after so much hard work this past decade with stimulus programs which pushed rates to current uber-low levels. Maybe. But, we're cautious and haven't found a whole lot of great places to hide in the current environment. Just one – value-add, class-B apartments.

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

Lessons from the Farm

By Lorne Polger, Senior Managing Director

You may not know that I've been an avid horseman since childhood. My father started buying harness horses in the late 60's/early 70's. I have fond memories of hanging around the barn on the weekends and watching the horsemen, who seemed larger than life at the time. And when Dad had his big winner in 1973, I will never forget gathering around the radio to listen to the results from the various tracks in New York where the horse was racing.

I got into the "business" in 2006 with my childhood friend when we purchased our first yearling at the annual auction in Lexington, Kentucky. We got dumb lucky with that first one. He raced for million dollar purses twice in his career and ended up as a top ten three-year-old. I think he may have paid for the next 11 mistakes after him, but because it's a passion, not a business, my horse ownership spreadsheet is long on enthusiasm, but short on details.

This past weekend, we journeyed back to the bluegrass state for the greatest two minutes in sports, the Kentucky Derby. It was quite a spectacle, something along the lines of an adult rave. Over $200,000,000 was wagered on a single race. Based on my rough calculations, that is about equal to the amount spent by the 158,000 attendees on booze, cigars, seersucker suits and big hats. As I've learned since my first foray in 2006, it takes a significant number of factors to be successful in the horseracing business. Most notably, luck. That said, my weekend's stay at the beautiful Hunterton Farm outside Lexington and watching two days of racing at the historic Churchill Downs in Louisville taught me a few lessons from the horse racing business that can be applied to the real estate business.

Buy Smart, Stay Disciplined and Leave Your Emotions at Home. The annual live auction of yearlings in Kentucky is quite the event. Fresh off the farms, 800 or so one-year-old horses go up on the block over a five-day period, never having seen the inside or outside of a race track. After studying "the book" (a description of each horse's breeding lineage) for a month or so before the auction begins and viewing the coiffed yearlings parade around the barn areas, you try to narrow down the prospect list to a reasonable number. Typically, you set a maximum price that you are willing to pay for a horse. But if, for example, you like that chestnut colt and have set an $80k maximum bid, what happens when the bidding goes to $90k? Jeez, Bob, he's a beauty. Solid, feet are straight, nose looks good, great lineage. Should we bump our next bid to $95k? I really like that horse. $110k? More? When does it stop?

Over the last few years in the real estate cycle, the tide has shifted. A buyer's market following the 2008 crash has evolved into a seller's market. Great for a seller, harder for a buyer. Do you expand the range of options ("Hey Steve, I hear you can get a great deal on this building in Toledo"), or stick to your formula? You stay focused. You believe in the markets you believe in for many reasons. Don't dupe yourself that Toledo is the next San Diego. Do you do your homework on potential acquisitions? Moreso than ever before, since the margin of error has been reduced. Do you stay disciplined on price or do you stretch when the seller says "another $100k and the deal is yours!" You stay disciplined. It's the key to successful long-term investing.

Pick Great Partners. I've been fortunate in my career as a racehorse owner to have great partners. Other fellows with a love for the business, different skill sets, and who leave their egos at the door when it comes to ownership decisions. I've been blessed at Pathfinder for the same reasons. It's led us to create, maintain and grow a successful enterprise during tumultuous times in the industry. I think it's a recipe that applies to many industries.

Be Prepared. A good horseman, trainer and jockey are prepared for any condition that the day brings. They've studied the racing patterns of their competitors, the nuances of the track and the way the weather is affecting the track conditions on race day. No different in the real estate world. You must constantly look ahead at changing demographics, submarkets, behavior patterns, technology, costs and operating issues. You should understand not only what is affecting your business today but also what may affect it tomorrow. Predicting the future is three parts preparation and one part educated guess. But since the only constant in real estate is change, preparation is key.

Hire Honest, Smart, Hardworking Help. While the jockey may get most of the glory for a great ride, the reality is that winning in horseracing is very much a team sport. Trainers, grooms, veterinarians, exercise riders, nutritionists, exercise physiologists, blacksmiths, feed and tack suppliers and even bankers all play significant roles behind the scenes in making sure the horse is ready, willing and able to run. Likewise, the team bench needs to be strong for a successful real estate venture. From the on-site maintenance guys to the property and asset managers, the quality of the team has as much or more to do with the success of the venture as the initial underwriting and pricing.

When the Track is Sloppy, the Favorites May Falter. As I saw on Kentucky Oaks Day (the Friday before the Derby), all bets are off when the track is a giant ring of mud. The favorites struggled mightily in the slop, losing traction and speed to their competition. We've had sunny days for quite a while. But we see some storm clouds on the horizon now. Do you want to own Class-A office buildings or shopping malls when the rains come? Not us. Sticking to "workforce" type housing seems like a good shelter from the storm, no matter how dark the skies might get.

Don't Follow the Herd. The top handicappers in the business review, study and analyze the data independently before arriving at their picks. That is why you rarely find uniform consensus among professional horse racing handicappers. I would argue that the same is true in the real estate investing business. Sure, you could try to flip a home because your cousin Bob made a few bucks doing it last year, but have you analyzed all the data before doing so? Are you reading numerous daily reports, studying demographic trends and scrubbing data? We do it all day long. That has led us to, at times, zig while others zag. A good time to sit on the sidelines is when everyone is in the game. Let the players get a little banged up and then you can come in and pick up the pieces. And when everyone is on the sidelines, it can be a good time to get into the game – less competition and better pricing that way.

Shelter your Winnings and Save for a Rainy Day. It's great to have a winner. Nothing beats walking up to the winner's circle following a big race. And getting the check afterward sure doesn't hurt! But don't play P. Diddy and order the bottle service after the win. They are not all winners. And because of that, you need to make sure you have enough left for the slow season; for the time when the winners don't win, for when the breakdowns occur and the vet bills pile up. From our perspective, now is not a bad time to celebrate your wins with a good beer, instead of Dom Perignon. Hoard a little cash, stay focused and plan for the next really big opportunity.

I hope to share good news later this season about our newest horse, Mount Royal. Fingers crossed, he will begin to race in New York in June as a two-year-old. We might get lucky with this one. Luck helps in the horse business. In the real estate business, we'll stick to preparation and skill.

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 Motivated Real Estate Investing – Beware of the Pitfalls

By Brent Rivard, Managing Director

As a recovering tax consultant who prepared a lot of tax returns for friends and family in the last 20 years (I'm down to preparing only one return – love you, Mom!) I get the following two questions often:

1. Should I pay off my home mortgage?
2. Should I 1031-exchange into a new property following the sale of a property?

On the mortgage question, I have a pretty canned answer that's worked well. From a financial perspective, absolutely not! Unless you don't have any other investment opportunities that can beat a 2-3% after-tax return, mortgages are relatively cheap money and the interest cost is tax deductible. On the other hand, from an emotional standpoint, if you're happier not having debt than you are generating income on your capital, pay that thing off!

1031 exchanges are a little more complicated. Let's start with the underlying investment type. An investor selling real estate would be motivated to keep his money in real estate for a variety of reasons. First of all, real estate is a tangible asset which is typically a stable and secure investment compared to the stock market. Real estate is generally regarded as good hedge against inflation. Rents and real estate values generally increase in an inflationary environment and, at the same time, construction costs and replacement costs increase and may limit the amount of new supply coming to market. Real estate is still also a relatively inefficient market compared to stocks, allowing for outsize gains to those with special management skills or market knowledge ("alpha"). Pricing is less precise and doesn't move up or down very quickly; meaning with good management and advisors, an investor may be able to outperform others in the market. Lastly, there are many tax benefits to investing in real estate.

Real estate is considered a capital asset. The current tax laws (note "current") provide for a lower tax rate on gains from a capital asset held for more than one year. The federal long-term capital gains tax is currently 20%, essentially half of the current top tax bracket. The other tax benefits generally provide for a **deferral**, not a reduction in taxes – but, since a dollar today is worth more than a dollar in the future, deferring tax can have real value. Depreciation expense on real estate assets, included accelerated depreciation for sophisticated investors that employ a cost segregation strategy (which places certain assets into shorter, more accelerated depreciation buckets), can reduce taxable income or even generate taxable losses in the early years of holding an asset. Assuming you can claim these losses, you'll have to "recapture" the depreciation as taxable gain at ordinary rates upon a sale. If you're able to turn that tax deferral into attractive investment income in the interim (and you don't lose your capital) you can generate substantial benefit from tax deferrals. The other major tax deferral strategy that real estate investors employ are 1031 exchanges.

Section 1031 of the Internal Revenue Code allows an investor to "exchange" a "like-kind" asset for another asset and defer the gain on the original investment. The original tax basis (net of depreciation for real estate) is carried over to the new asset and tax isn't paid until the new asset is sold. There's no limit on the number of times you can exchange one asset for another so, in theory, you could defer tax on a gain indefinitely. Pretty good, huh? Well, as with any tax benefit, it comes with some complicated rules that you must follow in order to qualify. Here are a few of them:

- You must designate the replacement property within 45 days of the sale of the original property, although you can designate multiple properties.
- You must close the purchase of the new property within 180 days from the sale of the original asset.
- Any cash or other benefit received in the transaction (called "boot") may generate taxable income and reduce the tax deferral benefit. This may include taking out a loan on the original property shortly before sale, which the IRS may consider "disguised boot."

So, back to the original question – Should I 1031-exchange the property I'm selling? The short answer is that it depends and there are many factors to consider. If you've underwritten the new investment in an unemotional way without consideration of a 1031 exchange and it meets all of your investment criteria (the right location, property type, property age, opportunity to add value, supply/demand characteristics, economics – and did I mention location?), then it may make sense. If you're considering using a 1031 exchange to invest, now you have to add the pressure of timing (can you get the deal done in time?) and the current tax environment. Tax rates could change in the future. Treatment of depreciation and long-term capital gains could change – we just don't know and there is definitely some risk of deferring gains into a higher tax environment.

We see some investors in a 1031 exchange who don't act rationally and may prioritize the benefit of deferring tax over any of the other important considerations above. If a seller knows you're a 1031 exchange buyer, either they won't take you seriously (because you identify multiple properties and might not close on the transaction) or they might use the tight time frames as leverage for price negotiations. This doesn't mean you should never do a 1031 exchange. It just means you should analyze each investment as if you didn't have the exchange, and then if it meets your investment criteria (and you're comfortable with the risk of changing tax laws) you can use a 1031 exchange as a useful tax deferral tool.

If you're considering an exchange, consult a tax advisor to help you navigate the rules and, unlike paying off your mortgage, consider investing primarily on the merits of the opportunity rather than purely on the tax deferral benefit.

Brent Rivard is Managing Director, CFO and COO of Pathfinder Partners, LLC. Prior to joining Pathfinder in 2008, Brent was the President of a national wealth management firm and CFO/COO of one of southern California's leading privately-held commercial real estate brokerage firms. He can be reached at brivard@pathfinderfunds.com.

ZEITGEIST – SIGN OF THE TIMES

Renters Resolving to Get Comfy

A March survey commissioned by Freddie Mac concludes that more renters are comfortable where they are living, view renting favorably and don't plan on moving any time soon.

According to the survey, the percentage of renters who believe "renting is a good choice for them" increased from 46% in January 2016 to 52% in March 2017. 55% of respondents like where they live and don't plan to move even if their rent increases, up from 44% in September 2016. Also, the proportion of renters who plan to rent their next home rose to 59% in March from 55% last September.

Baby Boomers are also increasingly losing interest in owning a home – 32% of baby boomers surveyed have no interest in owning a home as compared to 23% in January 2016. 71% of renters surveyed believe renting will be the same or more affordable for them in the next 12 months, displaying growing economic confidence. In short, folks of all ages are recognizing that renting is a sensible option in today's constrained housing market.

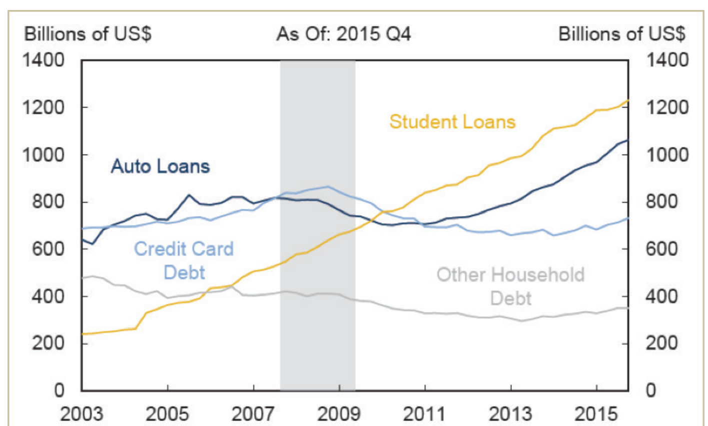
U.S. Housing Shortage: Any Light at the End of the Tunnel?

As the inventory of for-sale homes continues to shrink and rental vacancy rates compress, the housing crisis appears to have no end in sight. Over the past ten years, an average of 870,000 annual new home starts has been about 42% below the 1.5 million annual starts needed to simply keep pace with new household formation and existing home demolitions. The shortfall during the past decade – 8.3 million homes – has caused existing home prices to rise as demand outpaces supply. From 2011 to 2016, the median home price rose 42%, 2.5 times the growth in median household income (17%). Apartments and rental homes, which have seen record gains in rent growth and occupancy rates over the same period, have taken up the slack.

So how do we fix this? The logical answer is to build more for-sale housing but limited availability of land in the more desirable locations combined with bureaucracy, red tape, rising entitlement and permitting costs and NIMBYism (Not in My Back Yard) are keeping many for-sale home developers on the sidelines. Further exacerbating the issue, there are 1.3 million and 1.4 million housing starts predicted in 2017 and 2018, respectively, increasing the shortfall by another 300,000. When it comes to affordable for-sale housing in the U.S. today, there is no light at the end of this tunnel.

Postponing the American Dream

Americans' unprecedented level of student debt has caused a delay in homeownership for millions of households. The Federal Reserve Bank of New York says there are more than 44 million borrowers with $1.3 trillion in student loan debt; graduates are leaving college with an average of $34,000 in student loans. The U.S. Department of Treasury's Financial Stability Oversight Council's (FSOC) 2016 Annual Report cautions that high student debt could negatively affect household consumption and loan demand and limit access to other forms of credit, including mortgages. The graph below shows the nearly $1 billion increase in student loan debt since 2003.



Source: FRBNY Consumer Credit Panel/Equifax, Haver Analytics

Note: Gray bar signifies NBER recession.

Recent research suggests a correlation between the increase of student debt and the decrease in homeownership rates. The U.S. homeownership rate fell to 63.6% in the first quarter from a peak of 69.2% in 2004. Housing consulting firm John Burns Real Estate Consulting (JBREC) believes this trend can be attributed to young adults who are saddled with student debt and slow wage growth. To put this in perspective, 5.9 million households led by someone under 40 years of age pay $250 or more per month on student loans which reduces their mortgage qualification by $44,000 or more – a significant amount when purchasing a starter home.

Furthermore, a 2016 survey conducted by *Apartment List* indicates the average monthly student loan payment for millennials with student debt is $410 – greatly reducing their home purchasing power and ability to save for a down payment. Faced with student loan debt, stagnant incomes and rising home prices, many millennials are forced to delay homeownership. The issue is particularly acute on the west coast: more than 80% of millennials in Portland, Seattle, San Francisco, Los Angeles and San Diego say they cannot afford to buy a home. With no relief in sight, we expect to see these markets continue to experience strong rental demand as millennials with large amounts of student loan debt continue to postpone their "American Dream".

TRAILBLAZING: ARIA AT MILL, TEMPE, AZ

A Place Millennials Can Call Home

Across the U.S., millennials are impacting the economy, population demographics and design trends. They are postponing homeownership in favor of a more flexible, mobile lifestyle, unburdened by property taxes and mortgages. Many prefer to live near employment, shopping and entertainment rather than in the suburbs. This trend couldn't be more prevalent than in Tempe, AZ – home to Pathfinder's Aria on Mill apartment community – where millennials make up 38% of the city's population.

Aria is just two miles from downtown Tempe and Arizona State University ("ASU"), the largest public university in the U.S, and 20 minutes from downtown Phoenix and Scottsdale. Aria residents have convenient access to two Metro light rail stations which connect to Sky Harbor Airport, Phoenix and Mesa. They can also catch a free ride on the Orbit shuttles that weave throughout Tempe neighborhoods and ASU's campus.

Millennials do not have to look far for employment in Tempe – employers include aerospace, biotechnology, high-technology, retail and tourism businesses which are supported by approximately 150,000 employees, and is projected to grow 29% by 2020. In 2017, *fDi Magazine* ranked Tempe as the #1 "Small American City of the Future". In addition, *U.S. News and World Report* ranked ASU the nation's most innovative school in 2016, for the second consecutive year. With a booming economy and a robust transportation system – not to mention 300 days/year of sunshine – it's no wonder why millennials are flocking to both Tempe and Aria on Mill.

Renovated Kitchen at Aria

Pathfinder purchased Aria last September. The property, built in 1988, features 76 one- and two-bedroom apartments averaging 926 square feet. The property also includes a leasing office, clubhouse, gym and resort-style pool area. The seller had previously upgraded and modernized the building exteriors but most unit interiors are in original condition. Pathfinder is renovating and updating the interiors with quartz countertops, vinyl plank flooring, two-tone paint, new flat-panel cabinet doors and modern finishes and fixtures. Our planned common area upgrades include an expansion of the gym, new pool furniture, updated signage and a new BBQ island, package delivery center and doggie "Bark Park". Millennials have provided us an opportunity to rethink how we live and we're thrilled to provide this enhanced living experience to our residents at Aria.

NOTABLES AND QUOTABLES

Vision

"Vision without action is a daydream. Action without vision is a nightmare."

- Japanese proverb

"Leadership is the capacity to translate vision into reality."

- Warren Bennis, *American scholar*

"The only thing worse than being blind is having sight but no vision."

- Hellen Keller

"The ones who are crazy enough to think they can change the world are the ones that do."

- Steve Jobs

"Vision is the art of seeing what is invisible to others."

- Jonathan Swift, *Irish author*

"The best vision is insight."

- Malcolm Forbes, *American entrepreneur*

"The secret of change is to focus all of your energy not on fighting the old, but on building the new."

- Socrates

"Vision without execution is hallucination."

- Thomas Edison

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 Pathfinder or 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.