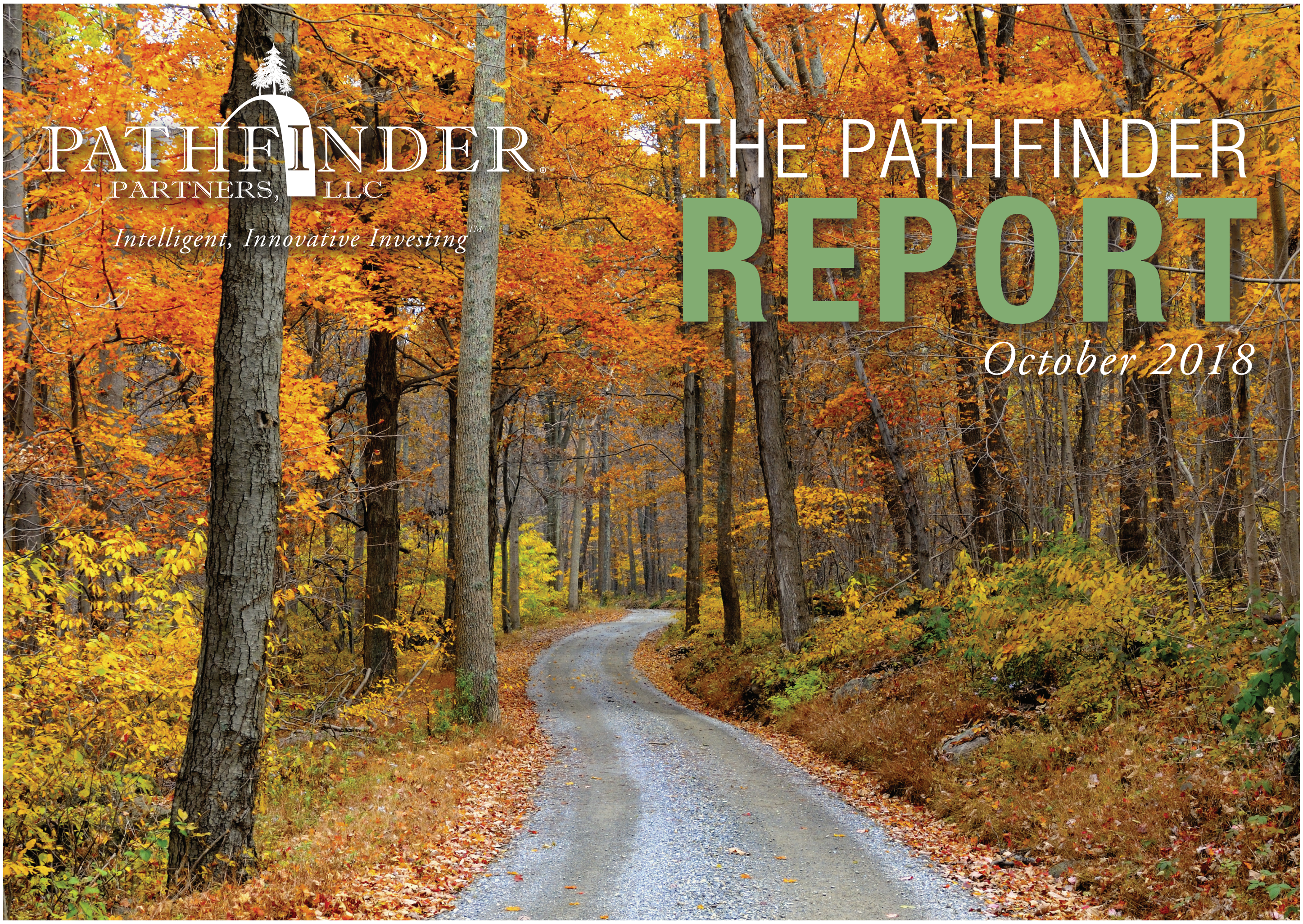


THE PATHFINDER REPORT

October 2018

IN THIS ISSUE

Pathfinder Partners Opportunity Fund VII, L.P. (the "Fund") has $45,000,000 in commitments. The Fund will remain open until December 31, 2018.

CHARTING THE COURSE

Gut Instinct, Intuition and Sixth Sense

They Protected Our Ancestors and Keep Us Out of Trouble. In a Modern World, They Can Also Destroy Your Wealth and Make You Crazy

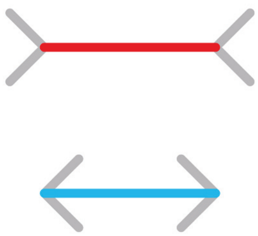
By Mitch Siegler, Senior Managing Director

We've all heard stories of the physician who makes a complex diagnosis after a quick glance at a patient. Or the fire captain whose gut feeling that the building is unstable causes him to evacuate just before the roof comes crashing down. Or the sixth sense we have about the distracted driver in the next lane who might pose a danger to us. We refer to these situations as gut instinct, intuition and sixth sense. Behavioral psychologists refer to them as biases and heuristics – and they have the power to hurt us as much or more as they can help us, especially if we're not aware.

Biases, call them instincts – useful in protecting our primitive ancestors from real dangers – can be detriments in our modern world. Heuristics – intuition and similar mental shortcuts that allow us to solve problems and reach judgments quickly and efficiently – can also be problematic in a time of increasing complexity. At the risk of stating the obvious, we are not always the embodiment of reason and rational thought that we assume ourselves to be.

Falling prey to biases and seeking mental shortcuts (heuristics) can negatively impact your investment success and financial well-being, overall stress level and general state of mind. Your best chance of protecting yourself from biases and heuristics that cause you to act irrationally is to recognize situations where you're reacting to your instincts, making decisions too quickly or simply not operating in a thoughtful and systematic fashion.

These biases and heuristics were made famous in *"Thinking, Fast and Slow"*, the best-selling book by Israeli psychologist and behavioral scientist Daniel Kahneman (who won the Nobel Prize in Economics in 2002) about his ground-breaking work on the human mind and decision-making with fellow Israeli psychologist Amos Tversky (who died in 1996). Kahneman and Tversky concluded that awareness of these biases is essential in mitigating their effects – but they're hard-wired into our brains and can't be completely overcome. In the spirit of increasing your awareness, here are a few of the more notable biases and heuristics.



Which line is longer? (They're equal)

Anchoring Effect – Our tendency to rely on the first piece of information offered, particularly if it's presented in numeric form. That's the reason many negotiators (think car dealers) begin with a first offer that is intentionally too high (or low) relative to where they're prepared to end up – they believe the initial number will 'anchor' the subsequent rounds of negotiations.

Availability Bias – People always think crime is increasing even if it isn't. People are more fearful of a shark attack than drowning at the beach though the latter is far more likely than the former. Similarly, the fear index about traveling by plane is much higher than for auto travel car even though car accidents are far more likely than plane crashes. We just can't get the horrific imagery of plane crashes out of our heads so there you go.

Confirmation Bias – Our natural tendency to seek out information that confirms our pre-existing views. The bias likely evolved as a defense mechanism to protect us from manipulation by others. It was manifested in the 2016 election as many voters found their news and political information on Facebook and other social media sites, generally gathered from others whose views closely resemble their own. Social media, which exploits this bias, uses algorithms built around serving up information that most resembles what we've previously showed an interest in. Confirmation bias is at the heart of our current political divide where each side is certain that their cause is just and the other side can't possibly be right about anything.

Extremity Bias – Our tendency to share the most extreme version of any story, to keep our listeners' attention. Positive elements are embellished to be more glowing; negative aspects are made even more horrific.

Gambler's Fallacy – The tendency for us to predict that if a coin has landed "heads" five times in a row, the next toss is more likely to be "tails". Of course, the odds remain 50-50 regardless of the outcome of prior coin tosses.

Less is More (Keep it Simple): One of Kahneman and Tversky's early articles focused on "the Linda problem." Subjects were presented with the characteristics of a fictional woman, Linda, who was committed to social justice, majored in philosophy and participated in anti-nuclear protests. The subjects were then asked which was more likely: (a) that Linda is a bank teller or (b) that Linda is a bank teller and active in the feminist movement. Of course, it's more likely, statistically, that one, rather than two things are true yet more than 80% of undergraduates surveyed answered (b). In statistics as in so many things, less is more. Survey respondents fell victim to both the Conjunction Fallacy (the belief that multiple specific conditions are more likely than a single general condition) and the Representative Heuristic (our desire to apply stereotypes – to Linda).

Loss Aversion – The thrill of victory vs. the agony of defeat. In cognitive psychology and decision theory, loss aversion refers to people's tendency to prefer avoiding losses to acquiring equivalent gains – for many, it feels better to not lose $5 than to find $5. Some studies have suggested that losses are twice as powerful, psychologically, as gains.

Optimism Bias – The nature of humans to underestimate the cost and duration of every project we undertake. (Siegler's first law of budgeting, scheduling and project management: No project ever comes in on time or on budget – without killing the people.)

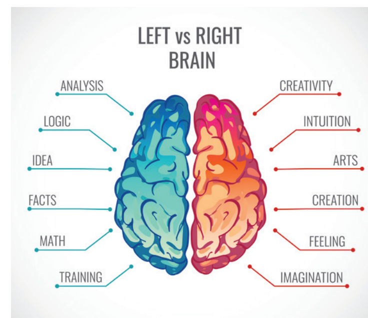
Normalcy Bias – Complacency, the refusal to plan for or react to a disaster which has never happened before. It's the root cause of our intelligence agencies not being able to imagine the 9/11 terrorist attacks.

Present Bias – When considering a trade-off between two future moments, people more heavily weight the one closer to today. For example, when asked whether a person would prefer $100 today or $120 a month from now, people choose the $100 now. A bird in the hand. But, when the question is reframed as $100 a year from now or $120 in 13 months, the vast majority of folks are willing to be a little patient – after all, what's another month after waiting 12 months already? Present bias shows up elsewhere, like retirement savings. Americans dramatically under-save for retirement and often ignore "free money" options like 401(k) programs with employer matches. For these people, saving is a choice between spending money today or giving it to a stranger (your future self) decades from now.

Properly Framing Risk – A cognitive bias in which people react to a particular choice in different ways depending on how it is presented; e.g. as a loss or as a gain. People tend to avoid risk when a positive frame is presented but seek risks when a negative frame is presented. In a famous experiment, participants were asked to choose between two treatments for 600 people affected by a deadly disease. Treatment A would likely result in 400 deaths, whereas treatment B had a 33% chance that no one would die but a 66% chance that everyone would die. This choice was then presented to participants either with positive framing, i.e. how many people would live, or with negative framing, i.e. how many people would die. Treatment A was chosen by 72% of participants when it was presented with positive framing ("saves 200 lives") dropping to 22% when the same choice was presented with negative framing ("400 people will die").

Sunk-Cost Fallacy – The attitude that "Though I'm not enjoying the film (concert, play, game, etc.), I won't leave early because I've already paid for the tickets." That's the same attitude that causes us to hold on to losing investments because of the money that's already been lost. Governments do this with unwinnable wars, justifying future casualties and costs on those previously incurred. (Side note: Ask my wife – I won't hesitate to walk out of a sub-par play.)

We live in a complex world, which is getting more complicated every year. Imagine life in just a few years when artificial intelligence and machine learning are more evolved and commonplace. Already, we can't read or watch news or browse the Internet without being barraged with concerns about or charges of "fake news". As we've seen, financial markets can swing wildly and behave erratically. Efficient markets made inefficient in a hurry by emotional investors.



Sure, trust your gut and follow your instincts, especially if they've served you well. But, also be mindful of your biases, heuristics and mental shortcuts and take the time to think things through. Your friends and loved ones – and your balance sheet – will thank you.

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

Are We At The Mountaintop?

By Lorne Polger, Senior Managing Director

Until the story of the hunt is told by the lion, the tale of the hunt will always glorify the hunter. - African proverb

I've climbed Mt. Whitney four times, the last time nine years ago in 2009 with my partner, Mitch. Whitney is the highest peak in the lower 48 states, rising to a height of 14,505′. I'd really like to climb it again, but the old legs may not have another big climb left in them.

Having been to the mountaintop, I know that it takes preparation, mental toughness and great physical stamina to be successful. In other words, the same traits required to make intelligent, innovative real estate investment decisions (okay, maybe not so much as it relates to physical stamina unless you count the 100 Southwest flights that I'll take this year).

There is a point on the Whitney trail, after you ascend 97 consecutive switchbacks, where you are on a knife's edge. To your left, you look down upon various beautiful high Sierra lakes in the Inyo National Forest. To your right, you glance at the vastness of Death Valley. It's a take-your-breath away moment (literally because you just climbed up to 13,600′ and figuratively because of its beauty). It's called the Trail Crest. At that point, you're about two miles and 900 vertical feet from the summit. After having slogged through about nine miles and over 5,000 vertical feet to get to that point, you feel like you're almost there. You are and you're not. It's only two miles; how hard can that be? If you look back at what you've accomplished, it does not appear to be very far. But if you look forward and focus on the grueling, oxygen-deprived steps ahead, you have a long way to go.

The Whitney climb is a metaphor for where we are now in the economic cycle. Are we at the Trail Crest point of this cycle, with a couple of tough miles to go to the mountaintop? Or have we now reached the top? Like the African proverb, does it depend on the perspective you are viewing it from? Are you on the offense like the hunter? Or on the defense, like the lion? Does your perspective change depending on whether you are metaphorically looking at the lakes to the west, or the mountains and desert to the east?

Let's start with the easy stuff. Trees never grow to the sky. At some point in their life span, they stop growing taller. So too with economic growth cycles. At some point, for a variety of reasons, growth slows or stops (think 2001). And in some cases, cycles reverse (think 2008). That's history and economics talking (my two favorite subjects in college), not politics. When you're in fundraising mode as we are now, you field lots of questions. The most consistent ones are (i) where are we at in the cycle and where are we going?; and (ii) are there still opportunities to safely make money by investing in real estate at this point in the cycle? Investors love predictability. Who doesn't? It certainly makes planning and investing decisions easier.

Rising interest rates are among the concerns of investors. The Fed has increased rates three this year and will likely raise rates again in December. That's a concern because historically, as rates rise, so do cap rates oftentimes. And when cap rates rise, values decline.

On the other hand, rates and returns in developed countries remain at historically low levels and the U.S. still has most-favored-nation status in the minds of investors, resulting in strong demand for U.S. assets, including real estate. In addition, rising interest rates are a sign of a growing economy and often a precursor of inflation. Plus, lenders have adjusted interest rate 'spreads' so mortgage rates have risen more slowly than Fed Funds rates.

We have quite a few positive economic numbers: strong GDP growth, record-low unemployment rate, high consumer confidence, and rising household net worth. Unemployment, near an all-time low, means there are more jobs available than people looking for work. As a result, we're finally seeing wage growth.

What has impacted real estate the most in downturns? Rising supply and decreasing demand. Excessive leverage. Are we seeing those trends today? Well, in certain markets it appears that we have begun to oversupply Class-A multifamily. We've started to see weakness in the context of increased concessions and rising vacancy. How about office and retail? We haven't built to anywhere near historical norms in either sector, but the issue is the continuing weakening on the demand side, as occupancy and spending habits change. Not too many signs of speculative lenders – banks appear to have learned their lessons from the 2008 downturn.

Development today is dicey. Really dicey. At virtually every industry conference that I attend, savvy investors are expressing caution about new development. Construction costs have risen dramatically over the last few years. There is a toxic mix of lengthening entitlement permits, rising land costs and soaring construction numbers. On the other hand, these can act as barriers, natural governors to prevent over-building. Yet, we need to continue to provide housing, especially in those markets that have been undersupplied for years, lest the shortages (and affordability crisis) in those cities worsens.

Developers are among the most optimistic people in the world. You need a strong stomach to take that kind of risk and still sleep at night. If you're a developer today, you could be thinking we have a long way to go before we reach the top. You're thinking that while we may be at the Trail Crest, we have a long way to go before the top of the mountain. Sure, margins are shrinking, banks are more cautious in their lending practices, and equity investors are scrutinizing assumptions more thoroughly. But why let any of that get in the way of a good deal, right?

Passive investors today are also more cautious. They're thinking we're at Trail Crest, but that the two-mile walk ahead, although difficult, will be over soon. They're scrutinizing deals more carefully, paying much more attention to details (like giant acquisition fees, outsize promotes or deal or fundraising costs that squeeze already thinner margins).

The naysayers out there will say we are at the top. It doesn't get any higher than Trail Crest. You're not sure where to put your money now that the Dow is at an all-time high, other than to park it in 2%-3% T-bills, money market accounts or CD's.

My perspective is different. I think we're at Trail Crest. We are near the top of the mountain. But because of some of the unique elements of this recovery (specifically, the lack of development of affordable housing), I believe there still remain opportunities to invest safely with attractive returns (primarily in workforce housing) that will continue even if we are at or near the top of the cycle and even if we soon enter a mild recession. And down the road, there may be some interesting opportunities to pick up failed development deals.

It's an interesting time to be on the mountain. Although I'm watching the weather forecasts and checking my footholds carefully, I'm still keeping my hiking shoes on.

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

Bank and Commercial Real Estate Lending – Ten Years After the Great Recession

By Brent Rivard, Managing Director

It's been ten years ago this month since Lehman Brothers filed bankruptcy, which some consider the kick-off of The Great Recession. I thought it was a good time to reflect on what has changed in the real estate lending market in the past decade, examine how lenders are operating today and to make sure that at least they won't be the cause of the next downturn. Before I get to the lenders, let's take a quick look at where interest rates are compared to ten years ago.

The 10-year treasury rate (generally the index for pricing real estate loans) is now back above 3.0%. Ten years ago, it was 3.47% and last year at this time it was around 2.13%. While rates remained low for the majority of the last decade, we have seen an increase in rates during the past couple of years as the economy has improved and the Fed tries to slow inflation. The Fed recently raised short-term rates by 25 basis points to 2.25% and is expected to raise rates once again this year to end the year at 2.50%.

Interestingly, there has recently been more of a 1:1 relationship in short-term rate increases as compared with long-term rate increases meaning that the yield curve (short-term interest rates compared to long-term interest rates) is relatively flat. Historically, a flat yield curve has been a sign of an upcoming recession, a subject which is being hotly debated among financial gurus now – many argue that this time may be different. Predictions range from a recession in 2019 to continued prosperity as far as the eye can see. Either way, being conservative in today's uncertain market could be important, which brings me to real estate lending. Did banks learn their lesson so we don't celebrate the future anniversary of their demise, a la Lehman Brothers?

The short answer is yes, at least as far as most banks and regulated financial institutions are concerned, and definitely as to those we do business with. After real estate lending froze from 2008 through 2010 and more than 500 poorly managed banks went out of business, the surviving banks started loosening up the purse strings starting around 2011. Outstanding commercial real estate loans at U.S. banks was most recently pegged at $4.3 trillion – higher than the peak in 2006-2007. According to Stephen Friedman, Regional President of Pacific Premier Bank, a southern California bank holding company with $12 billion in assets, the credit spigot has been wide open for the last couple of years, but banks have remained disciplined in their approach to commercial real estate lending.

Product Types

According to Friedman, multifamily and industrial real estate are the target product types for lenders. The economic drivers are strong in each sector as high construction costs are limiting the introduction of new supply. Banks are more selective on hospitality loans as that was one of the hardest hit areas in the last recession and values can move quickly when you're dealing with daily "leases." In last place, according to Friedman, is retail. There's too much brick and mortar retail at a time that Amazon is taking a big bite of consumer spending. A substantial amount of retail is being repurposed to other uses and even the big box or grocery-anchored centers are not attractive prospective bank borrowers. On the construction side, regulation of higher-risk construction loans was established by the bank regulators coming out of the debt crisis and many banks are at their limit in this category. The slowing pace of construction lending limits the pace of new supply in all sectors which should help mitigate valuation pressure for real estate if there is an economic downturn. According to CB Richard Ellis, construction starts in the first quarter of 2018 were basically flat. Between regulation and lessons learned from 2008, banks are spending their time and resources on more conservative loans.

Leverage

From my perspective, this was the biggest lesson learned from The Great Recession. Pathfinder was born out of buying assets that were taken back by those banks who provided excessive leverage. We learned that lesson and so did the surviving banks. They are much more disciplined than they were ten years ago and it's rare that we hear about bank leverage greater than 70% on commercial real estate assets. According to Brandon Smith in the Capital Markets group at CB Richard Ellis, EVERY loan originated ten to 12 years ago was at a higher leverage ratio than what we see today. In fact, as borrowing costs increase with the increase in interest rates, the leverage provided by banks will decline as they hold firm on their debt coverage ratios. I would say – lesson learned.

Underwriting and Pricing

U.S. banks are flush with deposits. Total deposits in the first quarter of 2018 were $13.5 trillion, up $2.5 trillion in the last five years, so banks definitely have money to lend. Although they've stayed disciplined on product types and leverage, underwriting standards have loosened somewhat in the last several years for attractive products and good borrowers. Bank are willing to look at shorter stabilization periods to size and price their loans for repeat borrowers with strong track records. Where they were looking for six months or more of stabilized income a few years ago, they'll accept three months or even price/size the loan on the current rent roll/net operating income. According to Friedman, this is because troubled credit is close to non-existent and with the lower leverage amounts, banks can take a risk on good borrowers and assets. The banks are still requiring sufficient income to cover the debt costs and sizing the loan (see leverage above) appropriately.

From a pricing perspective, banks have not passed on 100% of the Fed's rate increases to borrowers. Although short-term rates have risen, long-term rates have not risen as quickly, and loan pricing remains attractive from a historical perspective. Banks are doing well and have been willing to reduce their income on individual loans in order to get those massive deposits working for them – without taking excessive risk.

Bottom line from our perspective – the next downturn or financial crisis probably isn't going to originate from the regulated banks in the commercial real estate lending sector. Most investors and banks learned their lessons in 2008 and are applying those lessons to their strategies. That's not to say that a downturn might not come from other areas like trade wars, the corporate lending environment, the $1.5 trillion in student loans where default rates have been escalating or the unregulated real estate lending sector. There have been a significant number of private real estate lenders enter the market in the last several years. Some of those lenders are willing to provide higher leverage than the regulated banks, albeit at a higher interest cost. If there was a decrease in real estate values, we believe some of these lenders could be foreclosing on properties – although for some, that may be their strategy as many of them are real estate operators – unlike banks.

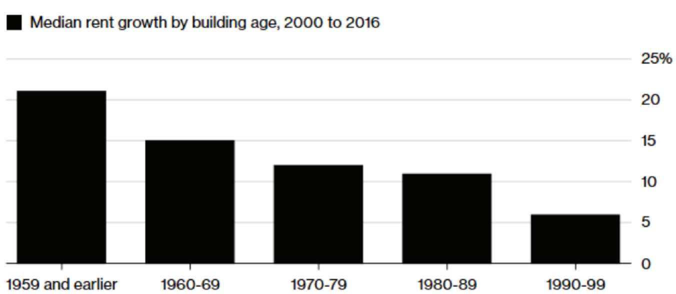
Either way, at Pathfinder, we're keeping our eyes and ears peeled for any signs of an impending downturn and staying disciplined with a conservative approach to multifamily real estate investing so we're as ready for anything as we can possibly be.

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

A Fine Vintage

The oldest apartments in the U.S. saw the greatest relative median rent increases from 2000-2016 with 1950's, '60s, '70s, '80s and '90s-vintage buildings seeing real median rent growth of 21%, 15%, 12%, 11% and 6%, respectively. The older buildings are still less expensive overall – properties built in the 1950's have a median rent that is 23% below those built in the 1990's – but rents in the older buildings have been climbing disproportionately due to an increase in demand for affordable, work-force housing. Additionally, many owners of these older buildings have been updating their properties and performing value-add renovations, resulting in higher rents and greater relative increases than newer properties.



Source: Apartment List, U.S. Census Bureau

Building Community Pays Off

According to RealPage Inc., approximately 49% of residents in Class-B apartments and 53% of residents in Class-A apartments moved out when their leases expired in 2017. Landlords had to absorb the cost of the vacancies until they could re-lease the units, the marketing costs to acquire the successor tenants and the payroll costs for the staff's work on the transition. Often these units require physical upgrades – well beyond what is covered by the previous tenant's deposit – costing the landlord additional dollars. In short, losing a tenant can be costly and these days landlords are losing half of their tenants on an annual basis.

Feeling "a sense of community" is regularly at the top of industry polls as the primary reason residents renew their leases. In order for a landlord to optimize tenant retention, reduce turnover costs and maximize income, creating a sense of community should be a priority, but frequently is not. Flashy new amenities like golf simulators and yoga rooms often steal the spotlight. But fundamentals such as knowing resident's names (and their pet's names) and promptly following-up to tenant requests can create an old-school sense of hospitality from the landlord and loyalty from the tenant that can be far more meaningful to a community's bottom line. Planning regular resident events such as a back-to-school and holiday celebrations, ice cream socials, pizza nights, food truck gatherings and pet parties and tracking the events on social media can tip the scale on whether a resident decides to renew their lease or move on. In short, building community can pay off.

Affordable Apartment – Very Little Room at the Inn

According to CoStar, U.S. apartment vacancies in the Class-B and Class-C categories – also known as affordable, work-force housing – were 5.8% and 5.1%, respectively, at the end of 2017. Vacancy for rent-restricted properties was 1.9% or essentially completely full when taking into account the two to three weeks it takes to clean and repair an apartment between tenants. Because most new development over the past decade has been the high-rent, Class-A apartments, there has been very little additional supply in the Class-B and Class-C sectors. This trend is expected to continue with the current 24- month pipeline of new apartment construction consisting of an estimated 75-80% Class-A developments. Due to this supply and demand imbalance, rental growth (as a percentage) in the Class-B and Class-C categories is expected to outperform Class-A for the foreseeable future.

TRAILBLAZING: HADLEY, THORNTON (DENVER), CO

The Mountains Are Calling and We Must Go

Kitchen – Before Renovations

Kitchen – After Renovations

In a letter to his sister in 1873, John Muir wrote the "the mountains are calling and I must go". Like Muir, we enjoy exploration and answered the Rocky Mountains' call last spring when we acquired the Quail Ridge Apartments (rebranded "Hadley") in Thornton, CO, 10 miles north of downtown Denver.

Hadley is a 1985-vintage, 140-unit apartment community that spans 3.2 acres and includes seven two-story, garden-style buildings with a mix of one- and two-bedroom apartments which average 760 square feet. Thornton has been greatly influenced by the region's strong economic fundamentals including over 240,000 new jobs since 2012. The area is home to major employers including Google, Verizon and Avaya. Just a few miles away, Amazon recently constructed a 2.4-million-square-foot distribution facility which is the largest industrial building in Colorado and the largest employer in the area.

Residents at Hadley enjoy a swimming pool with a spa, clubhouse, fitness center, basketball court and covered parking. The property provides a tranquil setting with large mature trees and green belts that meander throughout the community. Hadley is conveniently located near a grocery-anchored shopping center and within walking distance to Lambertson Lakes Park where residents can enjoy tree-lined biking paths, fishing and serene lake views.

Our business plan is to implement professional management, remedy deferred maintenance, rebrand the property, modernize the unit interiors and enhance the property's exterior by improving the landscape and hardscape and upgrading all common areas. We plan to convert the basketball court to a dog park, upgrade the pool furniture, renovate the clubhouse and fitness center and install a package locker. To date, we have transitioned to our preferred management company, completed deferred maintenance, enhanced the landscaping, renovated several units and received city approval on our common area plans. We anticipate completing common area renovations by year-end.

We couldn't be more pleased with our discovery of Hadley and look forward to the property's continued transformation. We believe that discovery is looking at the same thing as others but seeing and creating something different; we plan to continue to utilize this approach with our renovations at Hadley.

NOTABLES AND QUOTABLES

Discovery

"We shall not cease from exploration. And at the end of all our exploring will be to arrive where we started. And know the place for the first time."

- T.S. Eliot, *American Poet*

"Discovery consists not in seeking new lands but in seeing with new eyes."

- Marcel Proust, *French Author*

"Discovery consist of looking at the same thing as everyone else and thinking something different."

- Albert Gyorgi, *Hungarian Biochemist*

"I can't change the direction of the wind, but I can adjust my sails to always reach my destination."

- Jimmy Dean, *American Singer*

"We must risk going too far to discover just how far we can go."

- Jim Rohn, *American Entrepreneur*

"The truth is, most of us discover where we are headed when we arrive."

- Bill Watterson, *American Cartoonist*

"Better to see something once, than to hear about it a thousand times."

- Asian Proverb

"Man cannot discover new oceans unless he has the courage to lose sight of the shore."

- Andre Gide, *French Author*

"Mistakes are the portals of discovery."

- James Joyce, *Irish Author*

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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.